

CURRENT HISTORY

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Current History

MARCH, 1987

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On the seventieth anniversary of the Mexican state, important questions are being asked: Is the country teetering on the brink of political collapse? Is it in danger of defaulting on its large foreign debt? As for relations between the United States and Mexico, our lead article notes that the "United States-Mexico dialogue, such as it is . . . reflects profound frustration on both sides. . . . With indignation, anger and bewilderment, Mexicans frequently ask: What do the North Americans want?"

Uneasy Neighbors: Mexico and the United States

BY PETER H. SMITH

Simón Bolívar Professor of Latin American Studies, University of California, San Diego

MEXICO has a poor image these days. A United States Senate panel held hearings in mid-1986 that depicted Mexico as a den of iniquity, incompetence and corruption. "The American public is entitled to know what kind of neighbor we have down there," pronounced subcommittee chair Jesse Helms (R., N.C.), expressing shock over the testimony given by customs agents and drug enforcement officials. Assistant Secretary of State for Inter-American Affairs Elliott Abrams eagerly took part in what he called this "novel hearing" and warned that the narcotics problem might be getting out of hand. "This is very serious business," said Abrams, because the Mexican government "needs to know how dangerous it is for United States-Mexican relations if they don't get hold of the situation."¹ Congress joined the chorus of condemnation. While approving a bill (H.R. 5484) to combat the narcotics trade, it denounced Mexico's "inadequate response" to the murder of two United States drug enforcement agents and threatened a series of economic reprisals "unless substantial progress is demonstrated in the near future."

The United States intelligence community in general and the Central Intelligence Agency (CIA) in particular have also intensified their interest in Mexico. According to a reliable leak, one report calculated

that there was a one-in-five chance that the Mexican political system would collapse entirely within the next five years.² The media picked up the scent, with articles, editorials and special features on our "neighbor in distress"; and a new term entered the lexicon of the American establishment: Mexico-bashing.

Some postures have been overtly interventionist. The redoubtable Senator Helms claimed that the Mexican government kept two sets of election results, one true and one false, a putative discovery that led him to impugn the authority of the dominant Institutional Revolutionary party (PRI) and the legitimacy of Mexican President Miguel de la Madrid Hurtado. Concerned by stories of electoral fraud in Chihuahua and elsewhere, Senator Dennis DeConcini (D., Ariz.) and others called on the Mexican President to "live up to his pledge to achieve morally renovated elections and open the one-party system of Mexico to greater democratic freedoms."³ International proprieties did not prevent some observers from seeking a direct role in Mexico's complex process of the presidential succession. In effect, columnist Jack Anderson cast a vote in favor of one prominent contender (Carlos Salinas de Gortari); the *Wall Street Journal* cast its vote against another (Alfredo del Mazo).⁴

The idea of Mexico's weakness and vulnerability has, moreover, become one of the rhetorical and logical pillars for the Reagan administration's position on Central America. As President Ronald Reagan argued in a nationwide speech in March, 1986:

Using Nicaragua as a base, the Soviets and Cubans can become the dominant power in the crucial corridor between North and South America. Established there, they will be in a position to threaten the Panama Canal, interdict

¹*Mexico City News* and *The New York Times*, May 14, 1986.

²*Washington Post*, June 27, 1986; see also *The New York Times*, May 25, 1986. For the view of one CIA analyst, see Brian Latell, *Mexico at the Crossroads* (Stanford: Hoover Institution Press, 1986).

³United States Senate Resolution 437.

⁴*Washington Post*, July 30, 1986; *Wall Street Journal*, October 9, 1986.

our vital Caribbean sea lanes and, ultimately, move against Mexico. Should that happen, desperate Latin peoples by the millions would begin fleeing north into the cities of the southern United States, or to wherever some hope of freedom remained.

Developing this theme further, President Reagan cited "an old Communist slogan that the Sandinistas have made clear they honor: *the road to victory goes through Mexico.*"⁵ In other words, Mexico represents the ultimate domino, a geopolitical threat to United States security. The inference thus becomes clear: the weaker the Mexican state, the greater the need to oppose the Sandinistas.

Such posturing has angered and appalled most Mexicans. They maintain that Mexico has been a loyal friend of the United States, that it has counseled moderation and caution to other Latin American countries on the foreign debt question, and that it has implemented an economic austerity program that has reduced the real wages of the working class by at least 40 percent since 1982. Mexico has agreed to join GATT (the General Agreement on Tariffs and Trade), to privatize state holdings, and to lower its profile on Central America. It has fought an uphill battle against the narcotics problem and has begun to make some headway. President de la Madrid has even shown a willingness to confront the imperfections of the electoral system by proposing a new (if modest) plan for political reform. But Mexico-bashing continues. With indignation, anger and bewilderment, Mexicans frequently ask: What do the North Americans want?

The United States-Mexico dialogue, such as it is, thus reflects profound frustration on both sides. The official relationship is not very healthy and, especially from the viewpoint of the Mexicans, it shows signs of getting worse.⁶ To understand the origins of this predicament, the nature of the bilateral relationship and its recent transformation must be understood.

DEFINING THE RELATIONSHIP

The relationship between the United States and Mexico is unique. Nowhere else in the world does a first world country share a 2,000-mile border with a major third world country. History and contiguity imbue the relationship with peculiar characteristics and inescapable realities.

One basic feature is asymmetry. The United States is bigger, stronger and richer than Mexico and has been ever since the early nineteenth century (though not before). The United States has about 3 times the population of Mexico, 15 times the gross national

product (GNP), and an overwhelming military superiority. The United States accounts for about two-thirds of Mexico's trade while trade with Mexico makes up only between 3 and 6 percent of United States international transactions. Under these conditions bargaining tends to be unequal, as Mexicans so clearly recognize. "Poor Mexico," one well-known slogan goes, "so far from God, and so close to the United States."

A second component is conflict. What is good for Mexico is not always good for the United States and vice versa (or, more precisely, what is good for certain interests in Mexico might not be good for certain interests in the United States). With regard to commerce, the United States and Mexico have conventional buyer-seller disputes. For instance, the United States would like to purchase large amounts of Mexican oil at the lowest possible price; Mexico wants to reserve much of its petroleum for domestic development, to avoid long-term dependence on a single purchaser, and to fetch the highest possible price for exported oil. Such differences can be resolved through negotiation, even after the contemporary market glut disappears, but they will not disappear altogether. They are part and parcel of the commercial connection.

A third enduring feature of United States-Mexican relations is diplomatic limitation. Government-to-government negotiations cannot resolve some key bilateral issues in a definitive manner. This is due in part to the nature of the issues—like migration, which responds to socioeconomic stimuli and stoutly resists official regulation (the Simpson-Rodino immigration law notwithstanding).^{*} The blunt truth is that, in many areas, intersocietal exchange will simply overwhelm the plausible reach of intergovernment accords. The powers of both governments are limited.

An additional constraint on diplomatic negotiation derives from diversity and contradictions in policy-making, particularly in the United States, where multitudinous government agencies, each with its own perspective and constituency (including almost all departments of the executive branch plus both houses of Congress), take part in the policy process. Inconsistency is more apparent in United States decision making toward Mexico than toward Cuba, for instance, or even toward Nicaragua, where (to borrow bureaucratic jargon) the bilateral agendas are more clearly defined. This situation contrasts sharply with the centralized apparatus in Mexico, where presidential will prevails. Diversification of authority in the United States also means that it would be very difficult for the United States to achieve and implement an overarching "package deal" with Mexico. The path of least resistance calls for piecemeal bargaining.

Underlying these realities are pervasive cultural differences, divergent value systems and discordant senses of history. North Americans look to the future while Mexicans remain aware of the past. As the phi-

^{*}Editor's note: The immigration bill's sponsors were Senator Allan Simpson (R., Wyo.) and Representative Peter Rodino (D., N.J.).

⁵*The New York Times*, March 17, 1986 (emphasis added).

⁶People to people contacts are still thriving, however, as shown by the thousands of daily transactions across the border.

osopher-poet Octavio Paz once said: "North Americans consider the world to be something that can be perfected, while we [Mexicans] consider it to be something that can be redeemed."⁷

This is not an ornamental observation. It has crucial implications, because it helps define the sense of normalcy. For the United States, it is the very recent past—especially the halcyon years after World War II, when the United States was omnipotent and Mexico was a quiet partner in an allegedly "special relationship"—that sets the standard for evaluation. Any departure from this baseline represents undesirable abnormality. As President Reagan once put it, with cavalier disregard for the facts, "Here we are with a 2,000-mile border, and for 100 years or so, no conflicts between us."⁸

For the Mexicans, intense concern with history has bred a deep-seated suspicion of the United States. Mexicans recall with bitterness the nineteenth century disputes over Texas and the "war of the North American invasion" that led to the loss of half the nation's territory. They remember United States intervention in the Mexican Revolution of 1910, including the naval occupation of the port of Veracruz and the dispatch of General John Pershing's "punitive expedition" against Pancho Villa. And they are often reminded of strident United States opposition to the nationalization of oil in 1938. In their view, conflict and contention are the norm.

Additional differences pertain to political culture. For a variety of reasons the ideological center of the Mexican political spectrum lies well to the left of the political center in the United States. Consequent discrepancies in political discourse impede understanding and contribute to missed opportunities and a sense of betrayal. It is probable, for instance, that the Reagan administration (and the International Monetary Fund) could not hope for a more congenial and cooperative government in Mexico than Miguel de la Madrid's. It is important for Washington policymakers to recognize that de la Madrid has deliberately chosen to occupy the right-hand side of his nation's political spectrum, that he has incurred some costs in so doing, and that a subsequent shift toward the left during the second half of his term should not be seen as quixotic—indeed, it might merely mean a movement toward the center in Mexican terms.

Furthermore, many Mexicans tend to assume that the exercise of power reflects rational intentions. Events do not happen by mistake; they happen because those

⁷*The Labyrinth of Solitude: Life and Thought in Mexico*, translated by Lysander Kemp (New York: Grove Press, 1961), p. 24.

⁸*Washington Post*, August 13, 1986.

⁹Indeed, the administration's world view provides an explicit rationale for interference; see Robert W. Tucker, *Intervention and the Reagan Doctrine* (New York: Council on Foreign Relations, 1985).

in power bring them about. In the bilateral context this often translates into a conviction that United States actions toward Mexico are orchestrated, not coincidental; deliberate, not accidental; organized, not spontaneous. It is widely believed in Mexico City, for instance, that the Helms hearings, the CIA leaks and the newspaper features all constitute integral parts of a coordinated conspiracy to harass and "destabilize" Mexico. This presumption of intentions adds yet another burden to negotiation: diplomats are expected to account for an enormous range of actions and activities. Needless to say, this difference in beliefs can impede the comprehension of the general public as well.

Such divergences between the two countries can produce misunderstanding and thus strain the bilateral relationship. But this alone does not explain the recent deterioration of United States–Mexican relations. What is the source of the difficulty?

IDENTIFYING THE PROBLEM

It is not just a matter of diplomatic blunders, though there have been those aplenty. Nor is it simply a product of Reaganite ideology, though that tends to heighten and exacerbate the pressures.⁹ The ultimate cause of the problem—on both sides of the border, but especially in the United States—lies in the failure to analyze and appreciate the significance of long-run transitions that have imbued the relationship with a new and singular characteristic: volatility, or, at the least, a sense of unpredictability.

One basic change is the breadth of the bilateral agenda. There are so many interconnections between the two countries—trade, investment, energy, migration, drugs, Central America—that there is likely to be disputation over something almost all the time. But it is impossible to know where specific conflicts may emerge, and this makes it hard to manage the relationship. It also means that a harmonious partnership would require a constant process of adjustment, readjustment and negotiation.

Another change is the shifting locus of decision making, especially in the United States. For bureaucratic reasons, it is difficult for the United States to devise and apply a consistent policy toward Mexico. This is especially true when issues undergo "domestication." The Simpson-Rodino (originally Simpson-Mazzoli) bill represented a unilateral act by the United States and its ultimate passage in late 1986 was determined by domestic (largely electoral) considerations. So decisions affecting Mexico are not only dispersed throughout a massive and often incoherent Washington bureaucracy; to an increasing degree, they are also made on the campaign trails.

Yet the reverse can also occur, when domestic issues become bilateral problems. The most conspicuous example of this process in the mid-1980's has been

the spillover of Mexican political disputes into the American Southwest—as when, for example, adherents of the oppositionist National Action party (PAN) in Chihuahua blocked the Bridge of the Americas between El Paso and Ciudad Juárez. It was partly in response to such actions that United States congressional representatives expressed their dismay over election irregularities in Mexico. This event, in the Mexican north, just across the border, resulted from the emergence of a specific kind of political movement—an electoral opposition, conservative, pro-United States—but it illustrates the potential for turning a national question into an international dispute.

A third long-run change is the alteration and complication of the international arena, in which Mexico is seeking a new role. It seems safe to assume that Mexico's position as a middle-range power and "newly industrializing country" (NIC) will increase during and beyond the decade to come. The global system is becoming more highly stratified rather than less, and nations like Mexico, Brazil, India, Argentina and South Korea will have growing opportunities to exert power and prestige on the regional level. Central America provides a case in point: it would have been impossible to imagine the Contadora initiative during the 1950's or even the 1960's. This long-run change in power relationships will undoubtedly persist—and it will create a potential source of continuing friction between Mexico and the United States.

A fourth source of volatility, perhaps the most basic of all, comes from the fact that the United States-Mexican relationship is itself becoming more and more dependent on trends and forces throughout the world. A mutually beneficial commercial relationship will require, for example, a sustained recovery throughout the capitalist community of nations. A major conflagration in the Middle East and the consequent shutdown of oil exports would have serious repercussions for Mexico and the United States. (Some North Americans would probably counsel caution and generosity in dealing with the southern neighbor; others, no doubt, would call for virtual annexation of the oil fields.)

The continuing ability of Argentina and Brazil to meet their debt obligations will have major implications for Mexico's connection with its United States creditors. The Reagan administration's tolerance of the Contadora initiative will hinge in part on United States-Soviet talks. And so on. The point is so obvious that it is often overlooked: the bilateral relationship

between Mexico and the United States does not exist in a vacuum, and it is increasingly subject to a growing variety of external influences.

It is in this atmosphere of increasing volatility that Mexico and the United States have confronted each other and the three grand issues of the mid-1980's: debt, migration and drugs.

What makes Mexico's foreign debt so mind-boggling is not only its awesome magnitude (now over \$100 billion), but its complex ramifications. Maintenance of the debt is of the utmost importance to the United States and the international financial community, which would face a serious crisis if Mexico (and other major Latin debtors) were to repudiate their obligations. Austerity programs and declining petroleum prices have led to sharp recessions for the Mexican economy, producing a negative growth rate of around 4 percent for 1986. Real wages have suffered, open unemployment has increased (to around 14 percent), the peso has plummeted, and inflation is running at an annual rate of 100 percent.

To meet its interest payments of \$9 billion or \$10 billion a year, Mexico has had to renegotiate its debt constantly. The 1986 agreement to provide up to \$12 billion in fresh loans over a two-year period, with a commitment to growth and automatic access to contingency funds if the price for oil were to plunge beneath \$9 per barrel, was seen by many as a pathbreaking victory for Mexico and a promising implementation of the so-called Baker plan.[†] But it has really just postponed the day of reckoning. As Felix G. Rohatyn and Roger C. Altman have observed: "Few seriously believe that the latest financial bailout of Mexico will work. It is temporary financing to buy time for recovery. . . ."¹⁰

The migration issue came to a head with passage of the Simpson-Rodino bill, which President Reagan signed into law in early November. Hailed as a major revision of United States immigration policy, the law has two major provisions: economic sanctions against employers who knowingly hire illegal aliens, and an amnesty for undocumented workers who can prove continuous residence in the United States before January 1, 1982. Congress also envisioned a 50 percent increase in the size of the border patrol (but, as of December, 1986, it had not yet provided the funds).

(Continued on page 130)

[†]Editor's note: A proposal by United States Treasury Secretary James Baker that the Western industrialized countries and international lending institutions increase their loans to debtor nations if they adopt "free-market" economic policies. See the discussion of the Baker proposal by James Street in this issue.

¹⁰*Wall Street Journal*, November 26, 1986.

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"Having managed its financial and fiscal affairs poorly in the period of the oil boom, the Mexican government has become hostage to external debt, both public and private, and can no longer carry out its development strategy."

Mexico's Development Crisis

BY JAMES H. STREET

Professor Emeritus of Economics, Rutgers University

UNTIL the last decade, Mexico was considered a major success story among the less developed countries that have been attempting to modernize and industrialize since World War II. After the long and bloody revolution that began in 1911 with the overthrow of Porfirio Díaz, the dictator who ruled the country for a third of a century, the Mexican people had gradually defined their aspirations for social change. It was clear that they intended Mexico to become a diversified industrial country with mineral resources under firm national control, land equitably distributed to peasant proprietors in individual or collective plots (*ejidos*), and the domestic manufacture of products formerly imported promoted behind high tariff walls and other protectionist measures.

The results were impressive. By 1980, Mexico was producing more than 10 percent of the third world's total manufacturing output, and it had become the tenth largest country in the world in terms of gross domestic product originating in manufacturing.¹ Industry accounted for nearly one-fourth of the nation's output and employed about 20 percent of the labor force. When expressed in dollar value, the output of industry exceeded that of developed countries like the Netherlands, Switzerland, Belgium, Denmark or Norway. In absolute terms, the value of industrial output was about the size of Argentina's or India's, more than five times that of Israel's, Colombia's, or Chile's, about twice that of South Korea's, and half that of Brazil's.

New petroleum discoveries in the 1970's placed Mexico in the forefront of oil producers and exporters. With the world's fourth largest petroleum reserves and production, Mexico rapidly became the principal

supplier of crude oil to the United States after the energy crisis and the war between Iraq and Iran changed the international distribution of oil. A heavy inflow of dollar earnings enabled the government headed by President José López Portillo (1976-1982) to undertake a massive national development program that was designed to lower unemployment, decentralize the location of industry, promote industrial exports, and achieve national self-sufficiency in the production of basic food crops.

THE ADVENT OF INSTABILITY

Industrial growth was not achieved without pain. Even before the López Portillo program, a pattern of instability had begun to emerge. President Luis Echeverría Álvarez, whose term began in December, 1970, broke sharply with previous business-oriented administrations by overhauling the vast government bureaucracy, replacing traditional party workers with a new generation of *técnicos*, university-educated specialists. These administrators, owing no loyalty to other political leaders, were expected to manage a highly interventionist program of economic growth and industrial expansion with exceptional efficiency.

Because the business community mistrusted him and curtailed its investments, President Echeverría borrowed heavily abroad to finance extensive projects in health, education, public works, food production, energy, transportation and tourism. For a time, Mexicans enjoyed the euphoric feeling of progress in many directions. Nevertheless, the development program was poorly coordinated, and many projects failed to reach completion. General administrative confusion ensued, and there was a heavy capital flight of newly borrowed funds. The Mexican economy went into a nose-dive and the country was threatened with economic collapse.

Inflation, which had averaged only 2.8 percent a year in the 1960's, reached 22 percent in 1974 and has never fallen below 16 percent since.² Mexico's foreign debt, relatively low before 1970, climbed to \$18 billion by the end of President Echeverría's term and was one of the factors that precipitated a financial crisis in September, 1976. The Mexican peso, which had been stable for 22 years at 12.5 pesos to the dollar,

¹Kwan S. Kim, "Industrial Development in Mexico: Problems, Policy Issues, and Perspectives," in Kwan S. Kim and David F. Ruccio, eds., *Debt and Development in Latin America* (Notre Dame, Ind.: University of Notre Dame Press, 1985), pp. 205-226.

²Most statistics cited throughout this article are derived from official sources, which are currently published in *Comercio Exterior* (Mexico, D.F.). Annual data are summarized in the annual reports of the Banco de México, the United Nations Economic Commission for Latin America, and the Inter-American Development Bank.

was suddenly devalued by 42 percent. (This event initiated a long decline in the peso. By December 31, 1986, after many additional devaluations, nearly 911 pesos were needed in exchange for one dollar.)

The economic disaster of 1976 was related to the sharp increase in world oil prices initiated by the Organization of Petroleum Exporting Countries (OPEC) in 1973. The price increases occurred while Mexico was still a net importer of petroleum products and was thus subject to higher prices for both imported fuel and manufactured goods. The subsequent worldwide recession, the worst since the Great Depression of the 1930's, severely affected Mexico's terms of trade with the United States and helped to shrink the national growth rate (which had averaged 5.7 percent from 1971 to 1975) to 2.1 percent in 1976.

Alarmed by the possibility that Mexico might default on its external public debt, the United States government under President Gerald Ford took extraordinary measures. The United States Treasury and the Federal Reserve System joined in a rescue effort that provided a \$600-million emergency stabilization loan to underwrite the peso; this was followed shortly by a loan of \$1.2 billion granted under exceptionally liberal terms by the International Monetary Fund (IMF). The World Bank also contributed to the assistance package. The commercial banking community was thus persuaded to renegotiate some \$12 billion in loans to the private sector, which had been endangered by the large devaluation.

For the next three years, the government of President López Portillo was obliged to follow austerity measures prescribed by the IMF. These included a sharp decrease in government spending, a 10 percent ceiling on general wage increases, a limitation on the expansion of bank credit, and the maintenance of a floating exchange rate for the peso. Although reliable data on employment in Mexico are hard to secure, it was evident that unemployment was severe during this period; about half the working population was considered underemployed.

Mexico's prospects for economic recovery changed dramatically with the discovery of vast new reserves of oil and natural gas and their rapid exploitation beginning in 1976. The Mexican government was soon able to retire the IMF loan. Thus freed of restrictions on spending, the López Portillo administration embarked on a comprehensive national development

program financed by oil and gas exports. Earnings from these and minor exports reached \$16 billion in 1980, \$20 billion in 1981, and \$21 billion in 1982 and 1983. The dollar inflow was augmented as *Petróleos Mexicanos* (Pemex, the national petroleum entity), private corporations, and commercial banks borrowed extensively abroad at short term in anticipation of future oil revenues.

The government's development program was put into effect in two stages. It began in 1979 with an emphasis on expanding the state petroleum industry and promoting new basic industries to be located in 11 regional development zones.³ These included four industrial seaports, steel mills, automobile plants, and factories to produce electrical appliances and other consumer goods. The new industries were to enjoy continued tariff protection under the prevailing import substitution policy.

The following year, the industrial development plan was expanded into the Global Development Plan, which included a major program to achieve self-sufficiency in the production of corn and beans (staples in the Mexican diet) by 1982, and in rice, wheat, soybeans and sorghum by 1985.⁴ This agricultural program, called the *Sistema Alimentario Mexicano* (SAM), was supplemented by an extensive social assistance program to alleviate rural poverty. Health clinics, pure water systems, and market roads were to be constructed in order to spread some of the benefits of the oil boom to the impoverished peasant population in the countryside.⁵

Because the presidential *sexenio* (six-year term) was more than half over when the Global Development Plan was announced in April, 1980, the government's programs were initiated with great haste and considerable inefficiency. The period was characterized by a consumer spending spree of vast proportions, particularly in Mexico City and in border areas. Spending was fed by government monetary injections into the income stream before the newly inaugurated industrial expansion program could provide sufficient goods from domestic sources. Imports, both legal and clandestine, rose markedly to meet consumer demand. The consequent dollar drain was aggravated by the government's apparent lack of firm fiscal control over Pemex, the principal recipient of foreign export earnings. An appreciable share of the public revenue derived from oil exports reached the hands of private individuals, known in Mexico as *sacadólares* (dollar plunderers), who converted these funds into foreign deposits and investments. Notwithstanding the large increase in export earnings, the current account in the balance of payments remained in deficit in 1981 and 1982, and monetary reserves increased only temporarily.

By February, 1982, Mexican exchange markets were again in crisis. To stem the dollar outflow, the Bank of Mexico withdrew support from the peso, which

³Mexico, Poder Ejecutivo Federal, Secretaría de Patrimonio y Fomento Industrial, *Plan Nacional de Desarrollo Industrial, 1979-82* (Mexico, D.F., 1979).

⁴Mexico, Poder Ejecutivo Federal, Secretaría de Programación y Presupuesto, *Plan Global de Desarrollo, 1980-1982* (Mexico, D.F., April, 1980).

⁵Oficina de Asesores del C. Presidente, *Sistema Alimentario Mexicano: Primer planteamiento de metas de consumo y estrategia de producción de alimentos básicos para 1980-1982* (Mexico, D.F., 1980).

dropped precipitously by 45 percent. Later in the year, as the "dollarization" of peso accounts persisted, the peso declined another 35 percent, and the government imposed exchange controls for the first time. The external public debt was estimated at \$55 billion, having more than tripled since the previous crisis in 1976. Leading private corporations, including Grupo Industrial Alfa, Mexico's largest industrial conglomerate, faced bankruptcy and suspended payment on principal and interest to foreign banks, predominantly located in the United States.

THE SECOND RESCUE EFFORT

Contemplating the consequences of a Mexican default for the American banking system, the administration of President Ronald Reagan came to the rescue. An advance payment of \$1 billion for Mexican oil to be delivered to the Strategic Petroleum Reserve was arranged by the Department of Energy, and a similar amount, later increased to \$1.7 billion, was advanced by the United States Commodity Credit Corporation to pay for Mexican imports of grain on a concessionary basis. The Bank for International Settlements was induced to lend \$1.85 billion in emergency credits; the International Monetary Fund agreed after intense negotiation to provide \$3.9 billion over three years; and foreign commercial banks postponed \$17 billion in short-term debts.

Yet despite these extraordinary bailout arrangements, the hemorrhage of capital continued, and on September 1, 1982, President López Portillo unexpectedly issued a decree nationalizing the Mexican banking system and its substantial investment holdings. He justified his action by charging that private bankers had undermined the nation's economy by facilitating the dollar outflow. Foreign investors were dismayed by the government's sudden hostility toward privately owned banks, and new investment virtually came to a halt. Three devaluations during 1982 ultimately reduced the value of the peso by 82.5 percent.

The \$3.9-billion IMF loan, authorized in December, 1982, was accompanied by strict conditions committing the newly installed government of President Miguel de la Madrid Hurtado to severe austerity measures similar to those imposed on the López Portillo government in 1976–1980. This meant the virtual abandonment of Mexico's Global Development Plan, whose principal architect was de la Madrid, minister of planning and budget in the López Portillo administration. Many large-scale projects, like steel mills and port facilities, remained unfinished, adding nothing to the national output.

The impact of the austerity program on the national economy, combined with a decline in oil revenue beginning in 1984, was draconian. Imports were sharply curtailed, and the annual growth rate in gross domestic product, which had averaged 8 percent in

the boom years 1979 to 1981, collapsed to -0.5 percent in 1982 and -5.3 percent in 1983. Unemployment, which had been alleviated by industrial construction during the expansionary period, rose dramatically, and the flow of illegal immigrants to the United States, as estimated by the United States Immigration and Naturalization Service, reached record levels.

Despite monetary and fiscal controls, consumer prices rose by 101 percent in 1983 and continued to rise at rates of 60 percent in 1984 and 58 percent in 1985. Real wages declined by 36 percent from 1982 to 1985. Fidel Velázquez, the 85-year-old leader of Mexican organized labor and a pillar of the ruling Institutional Revolutionary party (PRI), protested the austerity policies on the ground that it was becoming difficult to secure voluntary acquiescence in lowered wages on the part of Mexican workers because of the steady deterioration in their standard of living.

Lower income groups were particularly hard hit by the austerity program. Following IMF proscriptions against subsidies, the government doubled the price of corn tortillas, a staple of life among the common people, on August 2, 1982, and then continued to raise the prices of basic foodstuffs sold through Conasupo (Compañía Nacional de Subsistencias Populares, the national network of food distribution outlets). The SAM program to attain national self-sufficiency in food production was also abandoned because of the ban on subsidies. IMF authorities appeared not to take into account the fact that, because the federal income tax bore lightly on upper income groups and because Mexico had no effective means other than its social subsidy programs for redistributing income from the national petroleum patrimony, the real burden of adjustment to the financial crisis fell disproportionately on the poorest members of the population.

By the summer of 1985, the failure of the austerity program to effect basic improvements in the Mexican economy was apparent, and the makings of a third major crisis were under way. Dollar outflow once more became severe, and controls over a dual exchange rate system and repeated minidevaluations proved ineffective. By July 24, 1985, the Banco de México was obliged to announce a 20 percent devaluation of the regulated peso, which accounted for 80 percent of the country's exchange transactions. (A panic in the free market for foreign exchange in 1986 caused the uncontrolled peso to fall 30 percent within six days before stabilizing, and in June, 1986, the central bank again reduced the value of the regulated peso by 48 percent below that of the last devaluation.) A continuing decline in oil export prices and the destructive earthquakes of September 19 and 20, 1985, contributed to the severity of the crisis. Hundreds of thousands of people were left without homes, and reconstruction costs were estimated at \$4 billion. The foreign debt reached \$97

billion, almost double the burden of the 1982 crisis.

THE THIRD RESCUE EFFORT

For the third time a rescue package for Mexico was hastily patched together under United States government leadership. Treasury Secretary James A. Baker 3d took the lead in coordinating assistance from multiple sources. An emergency agreement signed in Washington on July 22, 1986, consisted of a package that would provide Mexico with \$12 billion in new loans over a period of 18 months. Half this amount was to be subscribed by a syndicate of private United States and foreign commercial banks, and the balance by foreign governments (\$2.5 billion), the World Bank (\$2.3 billion), the IMF (\$1.3 billion), and the Inter-American Development Bank (\$0.4 billion).⁶ Japan's government participated for the first time in emergency lending to Mexico, providing a \$1-billion trade-promotion loan. Unusual features of the emergency agreement provided that the IMF would lend Mexico an extra \$600 million if the export price of oil fell below \$9 a barrel (but would reduce its lending if the price rose above \$14), and the commercial banks would increase their lending by up to \$1.2 billion in case the Mexican government were to experience a sudden decline in external receipts or fail to recover from its severe recession by the end of March, 1987.

The depth of official concern in Washington over the danger of a Mexican default during the crisis of June, 1986, was revealed by an unannounced trip to Mexico City made by Paul Volcker, chairman of the Board of Governors of the Federal Reserve System. On his return, Volcker appealed to the American banking community to treat the Mexican debt problem with understanding and leniency. Given the reserve-creating capacity of the Federal Reserve as lender of last resort and its authority to modify regulations governing the definition of nonperforming loans, the chairman's trip was meant to reassure the banking community.

Nevertheless, United States commercial banks were extremely reluctant to provide their \$6-billion share in the rescue package that Secretary Baker insisted was necessary, and at first offered to provide only \$1.5 billion as part of the \$4-billion package that they considered sufficient. Many banks had used the time since the 1982 financial crisis to reduce their vulnerability to a Mexican default. Some smaller regional banks, despite pressure to remain in the loan syndicate, had withdrawn from what they regarded as excessively risky foreign lending. Large banks, which held the bulk of the loans, had either reduced their lending or had held it constant since the early 1980's, and had sharply increased their capital, which meant that they

could withstand significant write-offs of their Mexican loans without reporting a dramatic impact on their balance sheets or shareholder dividends.

Many bankers were acutely aware that Mexico was continuing to make doubtful use of new loans added to the outstanding debt. The Morgan Guaranty Trust Company estimated that from 1983 through the end of 1985, Mexico had received \$9 billion in new loans from commercial banks, but had sent \$16.2 billion to banks in Switzerland or the United States. A previous investigation by the Bank of Mexico in 1982 had revealed that Mexican citizens had \$14 billion in bank accounts in the United States and \$30 billion invested in United States real estate, as well as \$12 billion in dollar-denominated accounts in Mexican banks (before their nationalization).

Bankers insisted that they would not provide new loans until the Mexican government once more committed itself to a rigorous economic program approved by the IMF; Mexico agreed and this was made part of the July 22 agreement. Yet it was November, 1986, before the banks gave assurance that they would lend the \$6 billion.

The outcome of these negotiations made it clear that the United States would not allow the Mexican economy to go by the board if it meant default on the external debt and a major shock to the United States banking system. The price for Mexico, however, was more than the continuation of domestic austerity and the mortgaging of a substantial part of future oil production. The Mexican government was placed under acute pressure to change its basic development strategy, forsaking import substitution industrialization for a more open, unprotected economy in which foreign ownership of industry would be encouraged and competitive trade would force many inefficient Mexican plants to shut down.

THE SHIFT IN DEVELOPMENT STRATEGY

As the financial crisis deepened in 1985, the de la Madrid administration had already taken steps to meet foreign criticism of Mexico's industrial policy. It agreed to selective relaxation of its legal requirement that Mexicans hold majority ownership in domestic indus-

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⁶"Mexico: Stand-by Agreement," *IMF Survey*, vol. 15, no. 23 (December 1, 1986), pp. 378-379.

"The 1986 economic crisis has shaken the roots of Mexico's social pact. Economic growth has been halted; there is no more land to be distributed; the middle class is being squeezed by inflation and a shrinking public sector; and wages are declining."

The Dilemma of Mexican Labor

BY JEFFREY BORTZ

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MEXICO'S remarkable political stability in the last 50 years stems from a social pact that dates from the revolution. Postwar economic growth strongly reinforced the social pact, an element of which has been the alliance between the Mexican state and organized labor.¹ Today, the most severe economic crisis in Mexican history threatens that alliance and, therefore, Mexico's social pact.

Under President Miguel de la Madrid Hurtado, industrial workers have suffered a sharp decline in their standard of living. At the same time, labor leaders have witnessed a slow but steady attack on their privileges, because the crisis has forced de la Madrid to implement necessary changes in the Mexican economy. These changes have generated conflict between the administration, pursuing economic reform, and the union leaders, defending their positions. Neither side, however, seems to relish an open conflict, in light of rank-and-file discontent over falling wages.

The Mexican labor relations system has played an important role in maintaining peace and stability during the last four years. Historically, the official union movement and the government have offered one another mutual support. In addition, during the long postwar boom, unions achieved higher wages as well as job security for their rank-and-file members, creating a reservoir of support. Yet the current crisis has changed the labor environment. On the one hand, as worker income erodes, there is the perception that official unionism—unions tied to the state—cannot defend the workers' interests. On the other hand, within the state there is the perception that official unionism based on labor corruption is no longer affordable if economic restructuring and recovery are to succeed. In the middle is the labor bureaucracy, which fears a rank-and-file rebellion and resents a "technocratic" administration that ignores the political needs of labor leaders.

Mexican labor confronts a dilemma. The labor relations system promotes industrial inefficiency, does

not represent workers democratically, and maintains a highly privileged labor bureaucracy. If current privileges are abandoned and the system is dismantled in the midst of the crisis, Mexico may face the most serious social turmoil since the revolution. If the system is not restructured, however, workers will continue to face sharply declining incomes and the country itself may not succeed in establishing the necessary economic reforms to solve the crisis.

THE LABOR RELATIONS SYSTEM

The country's labor relations system was established when Mexico was a rural, agrarian society. Urban labor was numerically and politically weak. The current elites had not yet consolidated power.

In 1910 a group of wealthy northerners began a political revolt against the Porfirio Díaz dictatorship. They soon found themselves fighting not only the old state, but also rebellious campesinos in central and northern Mexico. With their armies still in the field, the northerners' political leaders began to construct a new state, consolidating power and using the government to modernize the country. The northern elites sought an alliance with labor to strengthen their hand.

An alliance had to be forged even before power had been won. The 1917 constitution became the basis for that alliance. It contained a formula for modernizing Mexico, and a series of class compromises induced by the weakness of the northern elites. Among other provisions, the constitution restricted private property rights, more so than the constitutions of most other modern capitalist states. It gave broad regulatory powers to government, reserved the mineral wealth for state control, and provided the juridical foundation for expropriating land from the old landowners. In other words, the northern elites, the most thoroughly modern capitalists in Mexico, acceded to a number of "anticapitalist" measures in their constitution as a means of gaining allies in the struggle to construct a new hegemony.

In 1917, urban industrial labor was a relatively weak economic and political force in Mexico, despite a recent history of radicalism among some workers. The existing organizations were easily coopted by the promise of achieving their labor goals through an alliance with

¹A number of Mexico City periodicals—*La Jornada*, *El Financiero*, *Proceso*, *Excelsior* and others—have been consulted but will not be specifically cited. Similarly, the statistical data draw heavily from the official publications of the Bank of Mexico and the Secretaría de Programación y Presupuesto.

the northern entrepreneurial elites. The new constitution promised them fundamental labor rights: to receive minimum wages and limits on maximum hours, to unionize and to strike. In return, the incipient labor movement supported Venustiano Carranza and Alvaro Obregón against Emiliano Zapata and Francisco (Pancho) Villa. In short, the weakness of the northern business elites made them turn to an alliance with organized urban labor; the weaknesses of the unions made them accept the alliance. Later developments strengthened the ties between the state apparatus and the labor elites.

The state-labor alliance rests on three pillars. First, there has been a continuity of state-allied labor leaders since the revolution. In the 1920's Luis N. Morones, head of the powerful Mexican Regional Workers Confederation (CROM), became minister of commerce and industry in the government of President Plutarco Elías Calles. The founders of today's leading labor federation, the Confederation of Mexican Workers (CTM)—Vicente Lombardo Toledano and Fidel Velázquez—served under Morones in the CROM. Velázquez not only continues to direct the CTM, but has also trained generations of labor leaders who believe in the state-labor alliance.

Second, the official labor movement is part of the ruling Institutional Revolutionary party (PRI). The CTM heads the labor wing of the PRI. The CTM and most other Labor Congress members would find it inconceivable to carry out antiparty politics, which in Mexico are antipresidential politics. In fact, given the current weaknesses in the party's other factions, Campesino and Popular, the Labor sector is arguably the strongest source of support for the party and the government.

Third, government and labor are tied together through interlocking official institutions. In 1940, the government established the Ministry of Labor. This ministry includes the national labor boards (*juntas de conciliación y arbitraje*). A union cannot legally exist if it is not registered with the labor board (or with a state government labor board). In order to strike, unions must first petition the labor boards for permission. The labor boards also rule on intraunion elections, which can make the process of rank-and-file dissent more difficult. The government controls the deciding vote in basic tripartite organizations, like the National Minimum Wage Commission and the Mexican Social Security Institute. Mutual interests permit the labor bureaucracy and government authorities to cooperate closely in the management of the country's labor affairs.

The state-labor alliance has made the official union bureaucracies very powerful. It has always been difficult for the rank and file to challenge the established union leaders because of state regulation and control through the Ministry of Labor, the labor boards, and

the tripartite institutions. In addition, the union leaders effectively control blue-collar hiring, which must be done through the unions. This ensures them the ability to enforce local discipline.

Union power, however, also extends to business and government. Because of control over hiring, unions can enforce strikes. Mexican industrialists, protected by high tariffs, have often ceded high wages to workers and financial privileges to the labor elite in return for labor peace. Within the government and the state-owned enterprises, unions have obtained job security for the rank and file in exchange for support for the regime.

Postrevolutionary Mexico saw the development of a labor relations system that provided political support for the regime, wealth and power for the labor bureaucracy, and job security and relatively good wages for the industrial labor force. It also provided industrial peace for national and foreign investors. This system and the postwar economic boom that it spurred became the basis of an acceptable social pact. The multinationals took advantage of new and protected markets. Mexican entrepreneurs could coinvest or develop complementary industries. Rising wages and soaring profits provided a larger tax base for the rapidly expanding government. A new and increasingly vocal middle class found employment in the growing bureaucracies. Swollen bureaucracies and inefficient state enterprises provided an efficient employment policy, absorbing many who otherwise would not have found jobs.

For urban labor, the gains were particularly significant. Because industrial growth averaged 6 percent a year after World War II, both urban and industrial employment grew apace. The new industrial economy could also absorb more permanent skilled workers than the old agricultural and mining economy, creating greater social mobility. After 1952, real wages increased sharply. The labor bureaucracy began to manage large sums of money by controlling collective contracts. Finally, industry and government could afford to pay high wages and provide job security because they did not have to be competitive on international markets because of high levels of protectionism.

Industrialization benefited labor in many ways, but it did not provide the country with a competitive industrial base, nor did it solve the employment problem when millions of peasants moved to the cities. Unemployment and, more important, underemployment continue to characterize the Mexican economy.

This can be seen in the structure of employment. Although agriculture accounts for only 7 percent of gross domestic product (GDP), some 36 percent of the economically active population (EAP) is still employed in the agricultural sector. Industry today accounts for 38 percent of GDP, employs 26 percent of the EAP, and is the driving force of the economy.

Yet agriculture and small commerce employ many more people in low-productivity, low-wage, often nonpermanent occupations.

Although industry employs fewer people than agriculture and commerce, it pays significantly higher wages. Its jobs are also more permanent and skilled. Manufacturing, mining, electricity and financial services all pay higher wages than agricultural or commercial activities. Not surprisingly, Mexican unionization is strongest in the high-wage sectors. In the low-wage sectors, labor organization has been affected by both the large numbers of self-employed and the temporary nature of the jobs.

Mexican unionization clearly adapted to this type of labor market, characterized by relatively few permanent, high-wage jobs immersed in a sea of temporary, low-wage, low-productivity jobs. But this adaptation hid the strains that developed in the state-labor alliance, strains that became readily apparent in the 1982 economic crisis.

THE 1982 ECONOMIC CRISIS

The 1982 crisis threatened Mexico's social pact because the country could no longer afford the pact's inefficiencies. Both the postwar industrial system and the labor relations system were based on subsidies that could not be maintained forever. Postwar Mexican industry had hidden behind a wall of protective tariffs and import permits. It exported little while importing most of its capital goods. Traditional agricultural exports had to pay for the imports. After the campesinos were squeezed dry in the 1960's, external financing—first direct private investment, then loans—paid for the imports. Industrial profits, wages and employment were thus being subsidized indirectly.

Despite apparent prosperity, noncompetitive industrial growth created its own demise. Mexican industry had not been designed to compete in international markets. Mexican capital was not innovative, and foreign capital usually established assembly plants in Mexico. The country never developed cutting-edge industries. It could only compete in foreign markets on the basis of raw materials and cheap labor. An industrial base emerged, but it grew only because of high and permanent levels of protection.

The external debt, which had been providing the subsidies, eventually led to the 1976 financial crisis. Thereafter, oil exports were used to postpone structural reform. The 1982 fall in oil prices and the rise in interest rates then triggered a crisis whose structural cause was noncompetitive industrialization. In 1982, the external debt service reached 53 percent of Mexico's total exports of goods and services. By August, the Bank of Mexico's international reserves were virtually depleted, and the country entered into a period of prolonged crisis.

While 1982 initiated a period of sharply declining

labor income, it was not the first decline in recent Mexican history. In fact, during the postwar period wages never increased in proportion to the country's economic development. From 1939 to 1952, real wages dropped by half while the economy grew 6 percent a year. From 1940 to 1970, industrial labor productivity jumped 200 percent, but real wages increased only 16 percent. Nonetheless, industrial real wages rose significantly from 1952 to 1975, strongly cementing Mexico's social pact. Even in the pre-1952 period, the social pact was solidified by rising employment, partly compensating for the real-wage decline.

The 1976 financial crisis initiated another period of continuing real-wage decline. Despite the oil boom, the real minimum wage fell steadily during President José López Portillo's term. A modest rise of 1.35 percent in 1977 was followed by decreases of 3.57 percent in 1978, 2.38 percent in 1979, and 6.62 percent in 1980. Not until 1981 was there an increase—an imperceptible 0.03 percent. The 1982 crisis accentuated the decline.

In 1982 wages fell almost 20 percent, the sharpest decline since 1950. They then dropped 5.42 percent in 1983, 6.94 percent in 1984 and 6.33 percent in 1985. The 1986 decrease is estimated at close to 20 percent, despite an unprecedented third nominal minimum wage increase in October. Real wages have fallen because of high inflation, government austerity programs, and official union collaboration with those programs. Inflation has played the key role not only because of its direct impact, but also because it has forced the government to adopt measures decreasing demand.

De la Madrid inherited an inflationary economy. From 1972 to 1976, inflation hovered around 15 percent a year. During the López Portillo regime, annual inflation rates were between 16 percent and 28 percent a year. In the last four years, prices have risen at unprecedented rates: 58 percent in 1982, 98 percent in 1983, 63 percent in 1984, 57 percent in 1985; prices are estimated to rise more than 100 percent in 1986. The discontent of the Mexican working class can be traced to this ten-year losing battle.

High inflation in itself does not lower wages. But both national and international financial authorities designed an austerity program for Mexico that would limit nominal wage increases to a level below the inflation rate. The idea was to reduce demand while transferring incomes upward in order to service the external debt without unduly taxing profits.

De la Madrid knew that a restrictive wage policy, especially one following on the heels of the López Portillo wage decline, would need the collaboration of the official union movement. During his first month in office, he summoned the nation's labor leaders to his office. Fidel Velázquez had already declared his willingness to accept a real wage decline, stating that the CTM would moderate its wage demands. In the con-

clave with Velázquez, Senator José Luis Dorantes Segovia, the head of the Labor Congress, and other labor leaders, the President explained his plans to deal with the country's difficult economic situation. In turn, they announced their full support of the austerity package. Without consulting the rank and file, the labor bureaucracy was about to accept the steepest real wage decline since the 1940's.

Dorantes Segovia declared that the labor leaders "would take it upon themselves to explain to union members in detail the reasons for the economic crisis and the sacrifices that all Mexicans would have to make in order to bring the crisis to an end."² Later, Labor Congress leaders recognized that wage increases lagged behind price increases, but stated that they collaborated in order to "strengthen the historical alliance that exists between the working class and the state."³ Labor leaders, aware of rank-and-file discontent, have continued to complain publicly about declining living standards, while in practice they have ratified the austerity program.

The few independent unions outside the PRI-dominated official labor movement more vigorously opposed austerity. They carried out an unsuccessful widespread strike movement in the summer of 1983. The government used the labor boards to declare some of the strikes "inexistent," permanently closed one of the striking state enterprises, and let the university unions surrender as workers began to fear for their jobs.

However, rank-and-file resistance never disappeared completely. For example, in 1984 the National Teachers Union (SNTE), Latin America's largest union with some 600,000 members, was the scene of serious work stoppages. The politics of antiausterity coincided with a rank-and-file movement against official labor leaders accused of corruption. The stoppages were particularly effective in the southern states of Oaxaca and Chiapas. The traditional Labor Day parade on May 1, 1984, was violent, with antigovernment, antiausterity protests. The protests continued in the parades of the following years.

The September, 1985, Mexico City earthquake exacerbated tensions. Among the buildings that collapsed were some of Mexico City's worst sweatshops. Hundreds of women working in the garment industry were killed. A scandal erupted when it was discovered that many of them had been working without labor contracts and under conditions prohibited by the law, which was not enforced by the labor authorities. The CTM unions were accused of selling "protection"

contracts to the employers; the surviving workers were unaware even of the unions' existence. They eventually formed a new union, further discrediting the official labor movement.

By the end of 1986, the position of labor was growing worse, because of soaring inflation, declining incomes, union corruption, government austerity and the inability of the official labor unions to separate themselves from the regime. Yet discontent has thus far been more muted than open, more personal than social.

ATTACKING PRIVILEGE

The labor bureaucracy has been worried that the wage decline would eventually lead to a rank-and-file rebellion against the PRI and the official union movement. While such a reaction has not yet occurred, union leaders have been subjected to an attack from another direction. The regime itself, in its attempt to ensure economic reform, has cut back the subsidies to the union leaders.

The most heated conflict developed early between Mario Ramón Beteta, the head of *Petróleos Mexicanos* (Pemex), and the head of the Pemex union, Joaquín Hernández Galicia, popularly known as La Quina. The oil workers union is one of the largest and strongest affiliates of the CTM. Pemex employs 160,000 workers, who draw some of the best wages in Mexico.

Hernández Galicia and his lieutenants are reputed to enjoy great affluence and power. The collective contract stipulates that the state oil monopoly must subcontract many activities to the union. The union can, in turn, subcontract these activities to companies owned by labor leaders or their friends. Subcontracts are not competitively bid. In addition, about half the Pemex labor force consists of temporary workers, who have short-term (often 30-day) contracts managed by the union. Since even temporary Pemex jobs are highly valued, control over the labor contracts is important. Finally, union control over fringe benefits paid for by Pemex is very profitable.

Since Pemex provides most of the country's foreign exchange, the new regime tried to reform the industry by cutting the subsidies to union bureaucracy. The Ministry of Planning and the Budget began by disallowing the sweetheart subcontracts. The union reacted strongly. La Quina accused Pemex's administration of not understanding the industry or its workers. Veiled threats were made on both sides. In

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²Mexico, Presidencia de la República, *Las Razones y las Obras*, Vol. 1 (Mexico City, D.F.: Fondo de Cultura Económica, 1984), p. 48.

³Mexico, Presidencia de la República, *Las Razones y las Obras*, Vol. 2 (Mexico City, D.F.: Fondo de Cultura Económica, 1985), p. 95.

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"Once a major contributor to political stability and development, Mexico's agrarian reform is effectively over, leaving some 3 million peasants without land and an equal number with poor and inadequate resources for even feeding their own families, let alone providing food for a burgeoning urban population."

Mexico's Agricultural Policy

BY SUSAN WALSH SANDERSON

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WITHIN the last 10 or 15 years, the fabric of the world economy has changed. The primary-products economy has come "uncoupled" from the industrial economy.¹ In the industrial economy itself, production has come uncoupled from employment. And capital movements, rather than trade in goods and services, have become the engine of the world economy.

Mexico stands to lose on all three counts. The collapse of the primary-products economy, including the recent sharp drop in the price of oil, has tremendous consequences for resource-rich developing countries like Mexico, which have come to rely on commodity exports as the engine for economic development. Although Mexico is a net food importer, the lower price of grains on the world market provides little solace because the low price has been more than offset by the collapse in the price of oil and the decline in the value of Mexico's other raw material exports. Of equal consequence are the uncoupling of employment from industrial production and the increased importance of capital movements in stimulating growth. The net result has been that the development path most countries have followed in the past, based on the export of raw materials and low-cost labor, is blocked for today's developing nations.

While aware that the rules of the game have changed, Mexico's leaders have not been able to reorient their development strategies and continue to pin their hopes primarily on low-cost labor and raw material exports. In agriculture, as in industry, Mexico is trying to improve production while at the same time providing employment for the peasants who rely on agriculture for part or all of their income. Moreover, Mexico must balance the need of the urban workers for cheap food with the need of the peasants and farmers for an adequate standard of living.

Over the years, the Mexican government has carried out a multiplicity of policies in the agricultural sector. These policies have been characterized by two distinct policy thrusts: a political strategy of satisfying

the peasants and an economic strategy of increasing commercial food production. The countervailing rhythms of government support for peasant subsistence and support for commercial agriculture have dominated Mexico's agrarian history. The overcommitment of resources in response to pressure and the subsequent withdrawal of these resources have been the characteristic patterns of agricultural policy. The government has sometimes distributed land to defuse rural political unrest and at other times has halted land distribution.

In the past, land reform, or at least the hope of receiving land, could attract the support of dissident rural factions. This was especially critical when most of the population was rural; and land reform could offset the unpopularity of the ruling party in urban centers. But in recent years three factors have changed that situation. First, less than half the total population now depends on agriculture as its chief means of livelihood. Second, land reform as a mechanism for social control has reached the limit of its usefulness, because there is little land left to distribute. Much of the land is already in the hands of the peasants and what remains is insufficient to meet the needs of the landless. Third, land redistribution in the past cost the government very little politically because the displaced large landowners were few in number and the loss of their support could be offset by strong support from the peasants and the neutrality of urban workers. Today, however, improvements in farm income are in direct competition with the goal of keeping urban food prices low; any rise in farm income requires adequate price supports and direct investment. Thus cheap food prices may be viewed as directly harmful to farm incomes. Balancing the demands of different sectors of the population will become increasingly difficult in the face of rising expectations and unstable petroleum prices.

To appreciate Mexico's current agricultural problems one must have some understanding of the significance of land in Mexico's history. The reform that began with the revolution of 1910 has stretched out over the last 70 years. Land reform policy has been largely reactive. Peak periods of land distribution have

¹Peter Drucker, "The Changed World Economy," *Foreign Affairs*, vol. 64, no. 4 (Spring, 1986).

corresponded to periods of economic recession, massive unemployment and political instability. Because of the complexities of Mexican land reform, peasants asking for land during periods of national crisis and peasants living in areas of marked discontent have been more likely to receive land. Indeed, the early national agrarian reform legislation was the central government's response to land seizures and land reform in Zapatista territory during the revolution. In recent years, peasant mobilizations have generally taken the form of land invasions and agricultural strikes. In all, about 23,000 villages (roughly 23 percent of all Mexican villages) and over 2.3 million peasants have been granted some 79 million hectares, which have ranged in quality from irrigated to desert land.

The earliest reform occurred in two areas of the country under the strong control of the central government: the Federal District and the state of Tlaxcala. At the outbreak of the 1910 revolt against the Porfirio Díaz regime, Tlaxcala was in the hands of troops under Francisco Madero despite the revolts of Emiliano Zapata's forces in the surrounding states of México, Morelos, Puebla and Hidalgo. Despite the frequent incursions of revolutionary troops into the area from surrounding states, most of the Federal District was under the control of the central governments that rapidly succeeded one another in the half-decade after the overthrow of Díaz.

The lack of early reform in most other regions of the country was due to the limited mobilization of peasants and agricultural workers during the revolution. The northern states saw moderate reform during the first decades after the revolution. Most agricultural workers were ineligible to receive land until the prerequisite for special political status of the village was dropped and workers on agricultural estates were allowed to petition for land.

In the territory of Baja California, there was a very low level of reform until 1966–1975. In the states of the Center West, the northern central states, and several states in the south a moderate number of recipients received land during the first two decades of the reform. The number of land reform beneficiaries peaked in the following two decades (1926–1945) and declined to a very low level in the last three decades (1946–1975).

In the border states of the North and the states of the Gulf and Pacific coasts, land reform began at a slow rate, gradually increasing and peaking in the third decade (1936–1945). The number of land reform beneficiaries declined radically in the following decade and soared in the next two decades (1956–1975).

²The unit of land distribution is the village (*ejido*); individual residents of the community are named as land beneficiaries (*ejidatarios*) for life or until they are no longer eligible to use the land.

³Susan Walsh Sanderson, *Land Reform in Mexico: 1910–1980* (Orlando, Fla.: Academic Press, 1984), pp. 110–116.

The states of the Pacific North and those of the Gulf experienced two peaks of land distribution. The first peak occurred as it had in the northern central states under Cárdenas (1934–1940). The second period of increased land redistribution took place in the most recent decades under Presidents Gustavo Díaz Ordaz (1964–1970) and Luis Echeverría Álvarez (1970–1976).

The size of farm holdings within the *ejido*² has varied considerably, depending on the location and the period in which the land was distributed. Ironically, many peasants who fought earliest and perhaps hardest for land now hold minuscule parcels (averaging 1 to 2 hectares) in the most densely populated regions, where a farm may be either too poor or too small to support all but a fraction of a peasant family's needs. Per capita holdings in the newer regions, like the north and northwest, are double, triple and sometimes several times the size of holdings in the central areas.

AGRICULTURAL CREDIT

Not only has the propensity to grant land varied during different presidential administrations but credit to peasants in the *ejido* sector has varied as well. Between 20 percent and 30 percent of all *ejidatarios* received agricultural credit during the administration of Lázaro Cárdenas. In succeeding administrations, from 1940 to 1950, only 15 percent of the nation's *ejidatarios* received agricultural credit. In 1953, that proportion rose for a few years to 20 percent, falling again to 15 percent in 1957 and 1958, and rising to almost 20 percent in the following 2 years. From 1960 to 1970, the proportion of *ejidatarios* receiving agricultural credit declined to about 11 percent, reaching 15 percent in 1966, and falling back to 12 percent during the following 4 years.³

Even when credit was earmarked for peasants with small farms, as was the case in the credit offered by the ejidal bank, that credit has tended to go to the peasants with larger farms. While the government-owned ejidal bank, the primary lender to peasant farmers, experienced some losses, many of the loans to farmers with good land were highly profitable for the bank, yielding in excess of a 100 percent and, in some cases, as much as a 200 percent return on investment.

The availability of public funds for expanding cultivable land has been much more stable. From 1940 to 1960, public funds were invested heavily in the development of irrigation works and roads, virtually all of which initially benefited only private farmers, primarily because land reform had been halted. Although in absolute terms ejidal land did not decline, the expansion of arable land was so great that the 40 percent of the arable land held by *ejidatarios* in 1940 was reduced to only 17 percent a decade later. Nearly all the land irrigated by using public funds passed into the hands of large private farmers.

Failure to distribute the newly irrigated land to a peasant population (whose numbers had grown enormously as a result of improvements in health and sanitation) led to increased migration from rural areas to Mexico's cities as well as to the United States.⁴ As the urban population expanded, the government found it expedient to make food available at exceedingly low prices to unemployed, underemployed and poorly paid workers. Cut off from the best land and from agricultural credit, most *ejidatarios* were unable to take advantage of the advances in agricultural technology known collectively as the Green Revolution, which took place during the 1950's and 1960's.

Indeed, the productivity gains made by large private farmers as a result of the Green Revolution further exacerbated differences in power and income and resulted in the rental of good ejidal land to farmers in the private sector with better access to capital. Eventually, peasants were able to press their demands for land in the new irrigation districts, and today peasants have received about 2.3 million hectares of irrigated land, about 34 percent of Mexico's total irrigated land.

Peasant demand for land at the time of the revolution was rooted in a local subsistence economy in which land itself was both a primary ingredient for economic well-being and a symbol of political power and social status. The Mexican Revolution itself, however, had catalyzed the ongoing process of modernization and centralization of the Mexican economy, which rapidly changed the role of the landholders and their interdependence in the economic process. Agricultural policy became intertwined with the demands of an urbanized society engaged in international trade, and rural Mexico was soon perceived as a resource in an integrated economy. Government policy was shaped to exploit this resource. The result has been a conflict between maintaining rural political stability and well-being and regulating agricultural production in the interests of urban residents who expect abundant food at cheap prices.

Ejidal farmers who received irrigated land became increasingly tied to the government bureaucracy, which not only regulated the size and use of their parcels but also determined what the *ejidatarios* could produce, the cost and quantity of agricultural inputs, and the price for which they could sell their crops. Production on fertile ejidal land was increasingly tied to national and international production while production on less cultivable land was neglected.

Today the federal government plays a dominant role

in agriculture, regulating land use, water rights and agricultural credit. Before the oil discoveries of the late 1970's, the role of the government was somewhat restrained by lack of revenue. But new large oil reserves renewed confidence in the Mexican economy, stimulated direct foreign investment, and vastly increased the capacity of the public and private sectors to secure loans abroad. The government used its enhanced ability to borrow money to expand its influence and promote rapid growth, assuming a more active role in economic development. Public sector spending as a percentage of the gross domestic product rose from 27 percent in 1970 to 44 percent in 1979, and to well over 50 percent by 1982, a startling increase in little more than a decade. Between 1979 and 1980, public sector spending grew 15 percent, almost twice the growth rate of Mexico's real gross domestic product.⁵

Unlike the leaders of many other oil-exporting countries, President José López Portillo (1976–1982) took great care to expand domestic agricultural production in an effort to reduce foreign food imports. He hoped that Mexico's vulnerability to international pressure would be reduced while the government also redressed the socioeconomic inequities that had afflicted the rural sector for decades. Increased direct government investment in agriculture, a shared-risk program, subsidized fertilizers, low water prices in the irrigation districts, and expanded agricultural credit at low interest rates, along with increases in guaranteed prices paid to farmers of targeted crops, helped to improve production and to reduce the urban bias in government farm policy.

But greater subsidies to farmers and consumers, in addition to subsidies for most other public sector enterprises, placed tremendous strains on the public purse. These subsidies, coupled with massive investment in the expansion of Mexico's infrastructure, led to climbing public sector deficits. Wage increases for some segments of the population and the accompanying price hikes set in motion a wage-price spiral and increased the inflationary pressure on the poorest underemployed and unemployed people. The rising affluence of some segments of the population was accompanied by demand for goods and services that was met by increased imports, further straining the economy.

Even more than President Luis Echeverría's, the cornerstone of López Portillo's agricultural policy was to reduce Mexico's reliance on food imports. López Portillo made extensive investments in agriculture, increased farm support prices, and expanded consumer subsidies. His administration concentrated on increasing domestic production of basic food crops, particularly corn, wheat and beans, with the goal of self-sufficiency in these crops. These policies temporarily increased the output of these crops, but they did so by displacing other crops and increasing the

⁴For a more complete discussion of the relationship between land reform and migration see Susan Walsh Sanderson, "A Model of Mexican Land Redistribution and Emigration," *Canadian Journal of Development Studies*, vol. 4, no. 2 (1983).

⁵Sanderson, *Land Reform*, pp. 117–120.

amount of marginal land in production. Moreover, rapid population growth and the rising demand for food, in addition to drought, high rates of inflation, and a decline in the growth of public spending made it impossible to realize López Portillo's goal of agricultural self-sufficiency.

POPULATION PRESSURES

Between 1900 and 1950, Mexico's population doubled and it doubled again between 1950 and 1970. According to the 1980 census, Mexico's population grew another 35 percent from 1970 to 1980, to 67 million. Population density per square kilometer of arable land was 36 in 1960, 52 in 1970, and 67 in 1977. Thus, the per capita arable land available to feed Mexico's rapidly increasing population has declined nearly 50 percent in less than two decades.⁶ Indeed, while the total area harvested increased by 1.9 percent between 1960 and 1980, domestic food demand rose 6 to 7 percent in the same period.⁷

Faced with the need to cut government spending, de la Madrid (1982–1988) disbanded López Portillo's agricultural program and switched the government's emphasis to the production of export crops and livestock shortly after taking office. But it will be difficult to expand food exports, because the new agricultural policy will have to be carried out in an era of severe budgetary restraint. Mexico's current financial difficulties make it impossible to maintain subsidies in many sectors of the economy. Recently, FIRA, the trust operated by the Bank of Mexico through which financial resources are channeled to the agricultural sector at less than market value, has raised interest rates and reduced the number of eligible farmers. The effect of this change has been to raise costs for the 20 percent of the farmers who had previously received subsidized credit.⁸

With less land per capita available for producing food for a growing and increasingly urbanized population (by 1980 Mexico City had 15 million inhabitants, 22 percent of Mexico's total population), the government is faced with a difficult problem. Pressure to provide more food for the urban population is intense. At the same time, about 40 percent of Mexico's people still depend on agriculture as their primary source of income, many of them beneficiaries of land the government distributed under the reform over the past 70 years. Reconciling the demands of urban dwellers for inexpensive food and the demands of peasants and

farmers for reasonable income will continue to be a major dilemma.

THE NEXT DECADE

It is apparent that tight money, high inflation and slow economic growth will result in increased social tension as more laborers lose their jobs; and the Mexican economy, with little or no growth expected in the next few years, will be unable to absorb new job seekers. Real resource constraints are already severe in rural areas. Population growth, although increasing at a slower rate than in the past, is still very high even by developing countries' standards. Large numbers of rural and urban youths are reaching the age of entry into the labor force. And even with the annual rate of economic growth of 7 percent to 8 percent experienced during the early 1980's, the government was hard pressed to accommodate the new workers, much less address the problem of underemployment.

In the future, agriculture will contribute little to the absorption of new labor, and finding employment for Mexico's growing labor force will be a major challenge in the late 1980's. In addition, the economic recession in the United States, high rates of unemployment, and concern over high immigration rates induced the United States Immigration and Naturalization Service to embark on a campaign to deport thousands of undocumented workers. Some economists suggest that this is only a temporary crackdown and that once the United States economy picks up, so will demand for immigrant labor. Indeed, many observers predict that the United States will be faced with a shortage of manpower within the decade. But the need for unskilled and semiskilled workers in the United States will depend largely on the rate at which such labor is displaced by automation.

In the past, the government has used land reform as one of the principal mechanisms of social control in the countryside. It is apparent that this will no longer be possible, because there is little additional cultivable land available. Moreover, securing adequate urban food supplies has become the central focus of Mexico's agricultural policy. As government revenues decline, the balance between acceptable farm incomes and abundant and cheap food is increasingly difficult to maintain.

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⁶United States Agency for International Development, *All Data Currently Available on Mexico* (Washington, D.C., 1982).

⁷Banco de México, "Agricultural Trade," *Review of the Economic Situation of Mexico*, vol. 62, no. 725 (April, 1986), p. 134.

⁸Banco de México, "Agricultural Economy," *Review of the Economic Situation of Mexico*, vol. 62, no. 726 (May, 1986), pp. 169–171.

"Rather than clever, adept and successful, [Mexico's government] now appears to many outdated, bungling and faltering. Resoluteness has turned into uncertainty. The regime used to exude confidence and optimism. Now it seems unsure and increasingly guarded."

The Mexican Government's Loosening Grip?

BY DANIEL C. LEVY

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ON February 5, 1917, Mexico adopted its landmark constitution, which advanced the nation's remarkable postrevolutionary political institutionalization. Institutionalization gave Mexico a regime of uncommon strength and effectiveness. Critics have faulted the purposes for which the regime has used its strength, just as supporters have praised those purposes. But for decades few doubted the strength itself. Today, however, the regime's strength is very much in doubt.

The constitution resulted from the triumph of the least revolutionary of the major armies competing in the chaotic years after the ousting of dictator Porfirio Díaz in 1911. One need only contrast the head of the "constitutionalist" army, Venustiano Carranza, with vanquished peasant leader Emiliano Zapata or with Pancho Villa. Indeed, Carranza pushed successfully for a relatively conservative constitution, presaging patterns of presidentially centered politics. Yet more progressive groups still held sufficient power to include socioeconomic provisions that made Mexico's constitution perhaps the most forward looking of its time. Beyond political provisions that copied United States conventions—the separation and division of powers in a presidential system and guarantees for individual freedoms—Mexico's constitution championed, for example, extensive labor and educational rights, agrarian reform, and a substantial socioeconomic role for the state, including national ownership of subsoil rights.

One legacy of the constitution was regime flexibility. Carranza himself displayed a skill that many of his successors emulated when he reconciled his own preferences with what he saw as the system's needs. The constitution emerged as a very long and detailed document that subsequent leaders have cited for a wide range of policies. Much of the strength of Mexico's regime has related to its ability to adapt to social, economic or political change. Another legacy of the constitution has been regime legitimacy. Here the progressive reforms were critical. They related to the

regime's capacity to incorporate mass groups and thereby to gain a broader base of legitimacy than the governments of other, nondemocratic Latin American nations.

The constitution itself marked a beginning point in the regime's consolidation. Extension of control over labor, peasants, the military, parties and so forth continued for more than two decades. The consolidation that the constitution promoted was remarkable, considering the weakness of prior Mexican political regimes, not just those of the revolutionary years but those of the nineteenth century, from independence (1821) until the Porfirian dictatorship (1876-1910). Successive governments proved incapable of centralizing power or establishing the stability necessary for investment and economic growth. Although the Porfiriato reversed the patterns, it ultimately lost strength because of its excessive repression, inflexibility and impermeability. In fact, the revolution is sometimes seen as producing merely the modernization of the Porfiriato, reestablishing political control over a changing society. In terms of the constitution itself, the socioeconomic reforms perhaps counted more for legitimacy than for substance, whereas the political provisions regarding dispersion of power have been overridden by authoritarianism and a centralism highlighted by extreme presidentialism.

The regime would come to be viewed by both scholars and the general public as strong, active and effective.¹ The regime could activate or exclude groups; troublemakers could be defeated, marginalized or coopted. Demands from most of the population were effectively limited. Other demands could therefore be more effectively met—especially given decades of impressive economic growth, itself founded on political stability. The notion that the regime could do what it needed to do was widespread.

Such effectiveness does not come unraveled all at once. There have been episodes of delegitimizing repression, repeated signs of growing apathy and cynicism and accumulating evidence that political structures and practices devised for a predominantly rural, preindustrial and uneducated society (as Mexico was in 1917 and for decades beyond) are inadequate for contemporary Mexico. Nor did the regime's strength

¹Richard R. Fagen and William S. Tuohy, *Politics and Privilege in a Mexican City* (Stanford: Stanford University Press, 1972), p. 134.

and effectiveness vanish overnight in 1986. Statements on Mexico by United States government officials and others at the reckless Senate subcommittee hearings in May, 1986, were exaggerated.² Indeed, in view of the long unfulfilled promises of the constitution in terms of progressive reforms for the masses and enhanced freedoms for all, and the unprecedented economic crisis of the last few years, one is still struck by the regime's unusual strength. Real wages plummet, growth ceases, the debt is astronomical—and yet both strikes and other civil disruptions are infrequent. Other Latin American nations, under less severe economic circumstances, are less effective. Moreover, the regime has effected some major policy successes. For example, it earned the 1986 United Nations population award for cutting annual growth from 3.5 percent as recently as 1974 to 2.1 percent in 1985.

The regime endures. Few if any responsible observers predict its imminent demise. Nonetheless, many manifestations of its strength have eroded in recent years. Rather than clever, adept and successful, the regime now appears to many outdated, bungling and faltering. Resoluteness has turned into uncertainty. The regime used to exude confidence and optimism. Now it seems unsure and increasingly guarded.

The major manifestation of its weakness appears in the economic arena. Just as the regime once took credit for sustained growth and low inflation, now it is blamed for its inability to restore positive indices. Even the regime does not believe that it can effect a major reversal in the near future. There are similar impressions about the regime's inability to achieve its goals in areas like drug control. Consider President Miguel de la Madrid Hurtado's 1986 state of the nation address and other major pronouncements. The dominant tone of his speeches was sober. The valiant regime "derived from the Mexican Revolution" could not be expected to achieve what the general public wants while Mexico is victimized by international actors and oil prices and by acts of God like the devastating earthquakes of September, 1985.³ Moreover, the President added, the regime must struggle to respond to fundamental changes in Mexican society. But whatever happened to the regime that molds such changes? The public is becoming increasingly frustrated with excuses and inabilities.

At least in the economic realm, there is evidence of regime decisiveness, including an impressive degree of policy change in 1985 and 1986. On the political side, however, some key actors (especially business) remain unconvinced of the resolve behind the changes;

and many lack confidence that the policies will work. Additionally, de la Madrid has shown less decisiveness on noneconomic political matters. Consider the political reform. It was initiated by de la Madrid's predecessor, José López Portillo, in 1977. The regime recognized the need to revamp its image, to reach out to emerging groups, to diminish apathy.

Yet one could see that reform as another in a long line of regime reforms that might respond to change in a way that would maintain the regime's grip. By the midpoint in de la Madrid's term, the dominant impression was one of uncertainty and fear: the regime vacillated on whether to extend the reform (with honest elections for example). It worried that to extend the reform would weaken the regime in favor of the opposition, whereas not to extend it would run severe risks of delegitimation and energizing the opposition. A regime that once seemed strong whichever options it selected increasingly seems forced to choose among unenviable alternatives.

And this impression of a political weakness sustained and aggravated in 1986 is striking for the mid-period of the presidential term, normally regarded as a time of maximum regime power. A further telling indication of weakness is found in the prestige of the presidency itself. The presidency has long been the embodiment of the regime's strength. Yet throughout the past year, de la Madrid has been maligned for many things—prominently including an inability to lead the nation. Criticism of a sitting President was a taboo that had been violated during the two previous administrations. Now it has been mocked under de la Madrid. At the World Cup soccer ceremonies in May, the President was booed.

A WEAKENING POLITICAL CLASS

Constitutional government, with regularized turnover of personnel (including the top leadership), has been a distinguishing characteristic of Mexican politics. Civilian elites, ratified and legitimized partly through the electoral process, have been carefully groomed for positions of power. They, in turn, have contributed to the regime's authority. But today both the grooming and the power are in question.

The 1917 constitution helped enshrine a key slogan dating to the early revolutionary days: "Effective suffrage, no reelection." After a shaky beginning, the principle was largely achieved. Still today, *continuismo* (extension of rule beyond one's legal term) is out of the picture. Suffrage also remains effective in that the military is marginal to the leadership selection process and to the subsequent exercise of power by civilian rulers. A coup appears as remote in 1987 as it did in 1977, 1967, 1957 or 1947. But even in civil-military relations there is some weakening of the political class: it has been forced to rely on the military for protection from Central American turmoil and from the power

²Less wild United States fears were reflected in a mid-year series on Mexico by *The New York Times* and a late 1985 series by the *Wall Street Journal*.

³Miguel de la Madrid Hurtado, "Cuarto Informe de Gobierno," *Comercio Exterior*, vol. 36, no. 9 (Septiembre, 1986), p. 760.

of drug dealers. Such reliance has required allocations for military modernization (education and weaponry) at the expense of nonmilitary political and economic purposes. Additionally, heightened sensitivity in civil-military relations may have figured in de la Madrid's much criticized refusal to call on the army to implement its disaster procedures in the wake of the devastating earthquakes of September, 1985.

Elections have almost never been effective in terms of the democratic selection of leaders. Instead, they have been very effective in terms of regime legitimization. Here, too, however, the events of 1986 illustrated major changes. At stake were elective offices like mayoralties and 14 governorships. Also at stake, as in the 1985 elections, was the regime's credibility. Would the regime redeem the President's pledges, repeated in 1986, to honor the balloting? Would people accept the official outcome? As in 1985, the answers would be no.

The regime reasserted its strength in that it still made its proclaimed results binding, though even those results showed some continuing movement toward the opposition and high abstention rates. The regime even retook the large municipalities of Ciudad Juárez and Chihuahua city from the conservative National Action party (PAN), the major opposition party. Still, the regime was weaker at the end of the 1986 electoral process than at its outset. The official tallies were widely viewed as fraudulent. Prestuffed ballot boxes, police raids and especially the expulsion of opposition pollwatchers from their assigned outposts were enduring images. The cheating was perhaps politics-as-usual. The depth of protest was not. The protest was even deeper than the protests of the 1985 election results, protests that continued into 1986 in states like San Luis Potosí.

Protests over the 1986 results erupted in Durango, Zacatecas and Oaxaca notably because there the left was shortchanged. But the focal point was the major northern state of Chihuahua. The regime claimed 61 percent of the vote for its gubernatorial candidate versus 35 percent for PAN's. Protesters saw it the other way around. There were repeated civil disturbances, including demonstrations, the blocking of roads and bridges, and boycotts against newspapers that failed to cover the elections honestly. The ranks of the protesters were impressive indeed. PAN, major business organizations and the church were joined by leftist parties and intellectuals to demand a re-vote. In his long hunger strike, the PAN mayor of Chihuahua city was supported by prominent citizens. The bishop closed church on a Sunday. The regime's international standing suffered as well. Although electoral periods still serve certain legitimizing functions, they may weaken more than strengthen the regime.

The regime's loosened grip over elections is related to the decline of its official party, the Institutional

Revolutionary party (PRI). A decade after the constitution's promulgation, a strong party was created to serve the regime. Its success was extraordinary for several decades. It incorporated mass-based groups, mobilized support, gathered and distributed information, recruited aspiring political elites and, generally, legitimized the regime. But the recent elections illustrated the weakening of the PRI.

Forced to compete with a growing perception (especially in the urban north) that the regime is outmoded, inefficient and corrupt, and with the increased appeal of PAN, the PRI has tried to modernize its image. Thus, for example, the PRI candidate for governor in Chihuahua (Fernando Baeza Meléndez) came from a well-known PAN family and ran a campaign to distance himself from the national PRI. Additionally, ongoing moves to modernize the party have come at the expense of the party's mass-based constituencies of peasants and labor; to meet one threat, the official party is risking ties that have been crucial to its support.

In summer, 1986, a movement emerged within the PRI to protect the party from external rightist opposition, intraparty rightist tendencies and overall party weakness. The movement was headed by prominent PRI figures like Porfirio Muñoz Ledo, ex-party leader and ex-minister; Cuauhtémoc Cárdenas, governor of Michoacán and son of the revered former President; and Rodolfo González Guevara, former congressional leader. Stressing that they are proven party loyalists and nationalists, not dissidents, they issued vague proclamations of a reformist bent. They spoke of accelerating reforms under way, linking the party to broader bases including more direct contact with grass roots, and seeking a dialogue with progressive citizens who are not PRI members.

It is not easy to judge how reformist this movement really is. But whether it was its reformism or its maneuvering aimed at the 1988 presidential elections, the movement engendered harsh criticism from the political establishment. Top party figures declared that the movement offered nothing new; the PRI was already progressive and reforming. They also issued more directly damning statements about duplicity, ambitious self-promotions, and the disloyalty of public dissent, especially while the President was visiting Washington, D.C.

Against this background of decline, internal dissent and confusion, PRI leadership passed in October from Adolfo Lugo Verduzgo to Jorge de la Vega Domínguez. Then, in November, de la Madrid announced the latest political reform aimed at rebuilding the regime's legitimacy. Its most important provision would expand the Chamber of Deputies from 400 to 500 members, setting aside 200 instead of 100 seats for the proportional representation of opposition parties.

PRI's slip is tied to a general shift away from the

political professionals who have managed Mexico almost since the constitution's inception. These professionals once formed a distinct group; they were not usually part of the economic elite nor, at least by the 1940's, the military elite. (The constitution had also marked one step in a series that kept the Roman Catholic Church leadership apart from the political elite.) To reach high political office required years of apprenticeship in party, union, university or elective government positions.

In contrast, more technocratic types have been rising to power in recent administrations and their ranks have swelled under de la Madrid. Today's Cabinet includes almost no ministers who have held elective office, for example, and is the first to have more economists than lawyers. In 1986, speculation about the presidential successor for 1988 included the names of nonlawyers as well as lawyers, whereas even de la Madrid and his immediate predecessors held law degrees.

However, the elevation of Mexico state governor Alfredo del Mazo to the Cabinet and to the status of presidential contender was seen as an attempt to arrest the decline of political professionalism; del Mazo had an important political-electoral name and good relations with labor. In sum, there is concern over the impression (however valid) that the shift away from carefully trained politicians has contributed to the regime's decline.

The decline of Mexico's political class may be accelerated by de la Madrid's recent economic policies. Critical to the regime's grip has been its ability to expand, extract and adroitly distribute resources. Key elements involved economic growth, state ownership of pivotal industries and private sector dependence on government subsidies. Economic crisis obviously saps the regime of resources. But so does the policy of economic opening.⁴ The fate of many businesses, unions and other groups will depend increasingly on efficiency and markets and less on official favors or the lack of them.

Moreover, the last two years illustrate how economic weakness translates into political weakness. Whatever Mexico's traditional vulnerability to United States pressure, the dominant image of 1986 is heightened dependence. Mexico needed a \$12-billion rescue package, and serious observers saw that as only a bridge until the next package. Mexicans tended to interpret many United States policies, statements and congressional sessions on Mexico as crass exploitation of Mexico's weakness. In any case, 1986 marked

another year of retrenchment in foreign policy. Overall, the regime no longer showed itself as capable as it once was of using international events to bolster its own legitimacy and strength.

EXPANDED AND EMBOLDENED OPPOSITIONS

Since the 1930's, no opposition has represented an alternative to the regime's rule. This remains true in 1987. The regime has been able to portray potential alternatives as extremes. It has managed to attract to its side—or at least to keep out of the opposition—a diverse coalition including, for example, labor and business. But although there is no bona fide alternative to regime rule, there are expanding and emboldened oppositions. Their increased strength, in turn, further weakens the regime's grip.

In 1986, leftist parties could not win more than a small percentage of the vote in most races, and divisiveness remained characteristic. PSUM (the United Mexican Socialist party) again failed to unify even the independent left. Instead, that party itself once again divided, this time over how much to join with the right in pressing for free elections. The major electoral hope for the near future lay in the regime's tarnished image and its retreat from traditionally popular economic and foreign policies.

Meanwhile, big labor continuities included the reelection of octogenarian labor boss Fidel Velázquez in February and basic support for the embattled regime. Big labor took credit for the October agreement on a 20 percent wage increase, with indexing promised for 1987. Nonetheless, even Velázquez toughened his stance and language, as significant voices within mainstream unions expressed displeasure over continued austerity, decreases in government employment, Mexico's July entry into GATT (General Agreement on Tariffs and Trade), the lack of emphasis on expanding the domestic market, and continued full payments on the debt.⁵ Independent activity also intensified in some unions, like the teachers union.

But the most significant nonelite opposition in 1986 involved spontaneous mobilization. This ran counter to the dominant belief that if something needed to be done the government would do it, or it would not get done. Events after the September, 1985, earthquakes have been telling. Citizens saw the regime as slow to respond, even to acknowledge the depth of the disaster. Many judged the President unable to lead. Res-

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⁴William Glade, "Government-Business Relations" (Presentation at the Latin American Studies Association meeting, Boston, October 23, 1986).

⁵Salvador Corro, "En Materia Económica, Gobierno y Obreros, en Dirección Contraria," *Proceso*, no. 507, July 21, 1986, p. 22-23.

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"President Miguel de la Madrid Hurtado's recent call for an 'educational revolution' to correct . . . problems is best understood as part of a long tradition of government-initiated change in the educational system. In both pre- and postrevolutionary Mexico, the government has played a leading role in the development (or nondevelopment) of Mexican public education."

The Quest for Change in Mexican Education

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MEXICO was once regarded as a model of political stability and sustained economic growth. But the 1978–1982 oil boom led not only to a severe economic crisis but to a critical examination of the two main pillars of the Mexican political regime: the one-party rule of the Institutional Revolutionary party (PRI) and the powerful presidency. The apprehension and uncertainty that have marked the government's approach toward political and economic change stand in contrast to its attitude toward education. Throughout its 70-year history, Mexico has sought to transform, expand, renew, and even "revolutionize" the educational system. Successive governments have viewed change in the educational system as a means of attaining the democratic ideals of the 1917 constitution.

A few numbers illustrate some of the changes that have already taken place. The number of children attending primary school doubled between 1910 and 1940. From the 1950's on, the educational system entered a phase of continuous expansion: primary school enrollment went from 3 million to 9.2 million between 1950 and 1970, and reached 14.6 million in 1980; secondary school enrollment grew from around 100,000 students in the 1950's to almost 1.5 million in the 1970's, and to more than 4 million in the 1980's; and the number of students involved in higher education went from 30,000 in 1950 to almost 1 million in the 1980's.¹ It should be noted that between 1930 and 1980, school enrollment increased twelvefold while

the population of Mexico quadrupled.

But many qualitative improvements are needed to remedy the lack of integration between primary and secondary school curricula, to reduce the high drop-out and repetition rates, and to improve teacher education. Moreover, the Ministry of Education (SEP) has become a highly centralized, unwieldy bureaucratic structure that in most cases fails to provide flexible policy for the implementation of educational reforms. And since the 1970's, the educational decision-making process has also been affected by changes in corporatist politics, evidenced by the growing confrontation between the powerful National Teachers Union (SNTE, a PRI-affiliated group), a faction of "educational technocrats," and a new umbrella organization that unifies the "democratic" opposition to SNTE's leadership.

These problems are responsible for the poor quality of Mexican schools. But President Miguel de la Madrid Hurtado's recent call for an "educational revolution" to correct these problems is best understood as part of a long tradition of government-initiated change in the educational system. In both pre- and postrevolutionary Mexico, the government has played a leading role in the development (or nondevelopment) of Mexican public education.

According to the liberal ideals of prerevolutionary Mexico, only "an instructed" citizen could exercise his newly acquired rights and liberties.² The development of national economic and political structures was thought to require a solid and, above all, a homogeneous cultural base.

Throughout most of the nineteenth century, the government's legal and organizational activity in the field of education reflected three fundamental developments: a debate about the values that were to guide the educational system of the nascent republic; the creation of a vast body of law that would embody those values; and the organization of an administrative apparatus and a school system to put these laws, decrees and regulations into effect.

The Liberal Reform of 1833, the quarrel between conservatives and liberals, and the constitution of 1857 were the result of these three developments.³ Most

¹These and other statistics cited in this article are derived from official sources. See especially Fernando Solana et al., *Historia de la Educación Pública en México* (Mexico City, D.F.: Fondo de Cultura Económica, 1981); and *Secretaría de Educación Pública, Política Educativa*, Vol. 1 (Mexico City, D.F.: SEP, 1982).

²The historical overview presented here is based on Emilio Tenti Fanfani, "Estado, Educación y Sociedad en México (1867–1980)" (Fundación Javier Barros Sierra, December, 1980, mimeographed).

³Following the execution of Maximilian of Austria—which ended French rule in Mexico (1864–1867)—Benito Juárez restored the republic and reorganized the country according to the 1857 constitution. See Raúl Bolaños Martínez, "Orígenes de la Educación Pública en México," in Solana et al., op. cit.

authors agree that public education in Mexico did not exist before 1867; still, it is important to mention the decrees and dispositions sent to Congress by President Valentín Gómez Farías,⁴ a distinguished liberal, and approved under the name of the Liberal Reform of 1833. The reform ended the Roman Catholic Church's control over education and transferred authority to the state. Freedom to learn as well as to teach was asserted, and developing primary education was defined as the first urgent task of the educational system. These decrees—which exemplified the “quest for change” in the revolutionary period—were defeated by conservatives barely a year after their enactment.

The debate that followed the establishment of the 1857 constitution touched the same issues that surrounded the debate on the Liberal Reform: the role of the state in the educational system and the definition of what education it was to offer (it was to be nonideological, secular, obligatory and free). An overview of the vast legislation produced during the second half of the nineteenth century also reflects the recurrence of these themes. The freedom to learn and to teach signified the end of the Church's age-old monopoly on education. At first, the principle of secularized education rested on a conception of the state as a neutral arbiter. At the turn of the century, however, supporters of the positivist doctrine came to argue that since no education could be neutral, the Mexican state should see to it that the education offered to its citizens helped to create a national culture.

The design of the bureaucracy that was to inject these values into the educational system started with the 1833 Liberal Reform when the Dirección General de Instrucción Pública—the educational system's first administrative institution—was established. It was to be transformed and retransformed until the final creation of the Secretaría de Instrucción Pública y Bellas Artes in 1905, five years before the end of the Porfiriato, the dictatorship of Porfirio Díaz. According to the positivist ideology of the time, all educational activities were to be guided by a centralized administrative apparatus, capable of exercising control over the country's nascent educational system. Positivist ideals were also projected onto the internal life of the schools: efforts were made to unify pedagogical contents and methods across the different levels and throughout the national territory.

Primary education was established in 1879; secondary education was inaugurated in 1889. By the end of the Porfiriato, emphasis had shifted to college education and teacher training. By 1900, the Mexican population was around 12.5 million: only one-sixth

was of school age, and approximately one-third of all students (696,168) were enrolled in primary school. Even fewer attended secondary school and college. Only half of the teachers employed had received formal training. In 1907, the last date for which pre-revolutionary official statistics exist, student enrollment was practically unchanged.

Still, before the revolution a solid legal foundation for the development of Mexican public education had been laid. The most notable contrast between the ideals embodied in the law and its realization in practice was the fact that the Porfirian state offered the benefits of its educational system to an urban elite; but the extension of these benefits to the countryside and the development of mass higher education would have to wait until the second half of the twentieth century.

RESTRUCTURING THE EDUCATIONAL SYSTEM

In the decade following the dictatorship of Porfirio Díaz, the education budget was drastically reduced. The break in the political order ended the development of the educational system until 1917.⁵ The political and institutional foundations of the post-revolutionary state were constructed during the three decades that followed the establishment of the constitution of 1917. The process of state-led transformation that the country underwent during this period can be summarized as follows: the marginalization of the regional caudillos; the centralization of power in the hands of a strong presidential figure; the organization of an official party; and the creation of a financial infrastructure that would eventually allow the new state to play an important role in economic and social development.

The social pact underwritten by the revolution implied a complete transformation of the educational system, one that would include workers and peasants, the social classes excluded by the previous regime. In this transformation, the educational system acquired its present shape.

The creation under President Alvaro Obregón of the Ministry of Education (1921), the emphasis given to rural, technical and teacher education, and the debate regarding the “socialist” nature of Mexican education (prevalent during most of Presidents Lázaro Cardenas's and Manuel Avila Camacho's administrations) are part of the birth and consolidation of the public agencies that would confirm the place of the common people. Education was to constitute the cornerstone of this new edifice.

A few examples will illustrate the implementation of the new social pact. In 1924, the Escuela Normal para Profesores—a teachers' education program founded at the turn of the century—became the Escuela Nacional de Maestros. Together with the Escuela Normal Superior established almost two decades later, it was to become a pillar of the teacher training sys-

⁴Vice President under President Santa Anna.

⁵An example of this break was the reduction in educational expenditures from 7 percent of the national budget in 1910–1911 to 0.9 percent in 1919–1920.

tem. In 1936, the Universidad Obrera (Workers' University) was created by Vicente Lombardo Toledano, then head of the Confederation of Mexican Workers (CTM). Finally, the cornerstone of the present technical educational system was laid with the creation of the National Polytechnic Institute (IPN). Simultaneously, rural schools were built at an accelerated rate: by the 1940's their number had tripled since 1934, the first year of Cardenas's presidency.

The establishment of hegemonic control by the post-revolutionary state ended the debate about the limits of state intervention in education, which had been at the center of the confrontation between liberals and conservatives in the nineteenth century. The settlement of this question required, however, that the state redefine the content of education. As a consequence, the controversy was reopened; this time, the main issue was the definition of an ideological content consistent with the revolutionary and nationalistic program of a modern nation. The question was no longer how to educate, but also whom to educate. The answer was unambiguous: the public school system was to include the vast majority of the Mexican population, including those who were living in isolation in the countryside.

Most students of the period agree that the "socialist school" project did not prosper beyond Cardenas's administration (1934-1940). Nevertheless, this did not affect the educational institutions born out of the 1917 revolution. In years to come, more levels and types of education were introduced, as well as more bureaucratic subdivisions to administer them. For example, a department for technical education was created in 1923, another for rural education in 1928, and a third for "indigenous affairs" in 1936.

Bringing the benefits of education even to the most marginal sectors of the Mexican population required an army of well-trained teachers. The recognition of this fact led President Avila Camacho (1940-1946) not only to create a set of institutions to secure a permanent training program for preschool, primary and secondary school teachers, but to convene a congress for the unification of this occupational group in 1943. This resulted, a year later, in the founding of the National Teachers Union, a union whose leaders would play an increasingly important role in the design and implementation of educational policy.

Thus, a little over three decades after the eruption of the Mexican Revolution, the legal and institutional framework for state intervention in education was defined. The nature of the relationship between the main protagonists in educational policy was also settled: the Church was excluded, and the teachers were incorporated within the popular sector of the PRI. The foundations of public education were set, and the expansion of the Mexican educational system was about to begin.

TRAINING FOR EMPLOYMENT

Economic growth was the goal of Mexican state policy after 1940. The transformation of the "school of the revolution" into the "school for national unity" of the Avila Camacho administration and, finally, into the producer of a trained labor force during the golden years of "stabilizing development" was a reflection of this policy. The sustained growth of the country's gross national product (GNP) during this period was facilitated by several structural changes: the acceleration of agricultural production, the urban concentration of the population, growth in the size of the labor force, high rates of private and public investment and so on. These changes led to the accelerated expansion and growing diversification of the school system after the 1950's.

Nevertheless, the enthusiasm over growth often sacrificed qualitative achievements. President Miguel Alemán Valdés's (1946-1952) drive for industrialization led him to neglect what had been heralded as a great triumph of the Mexican Revolution: the rural schools. Alemán's economic policies emphasized technical education at the expense of the peasant and indigenous population. During the following administration (1952-1958), President Adolfo Ruiz Cortines concentrated on consolidating the achievements of his predecessors and supporting a policy of educational growth.

The educational policy designed by Torres Bodet, the minister of education during Adolfo López Mateos's presidential term (1958-1964), tried to emphasize both technical and primary education: student enrollment in technical schools doubled during this period. At the same time, the eleven year plan (1959) included the aim of "primary school for all children." To fulfill this objective, educational expenditures were tripled in 1959; many more schools were built; new teachers were trained; free textbooks were distributed throughout the public school system; and new curricula were established. Between 1958 and 1964, the enrollment in higher education grew from 27,401 to 109,357. Nevertheless in 1970, 2 million Mexican children were still not attending school. Torres Bodet's goal was to become a reality only a decade later.

In this period two features of the Mexican educational system must be remembered: for the first time since 1910, the system grew steadily and educational reforms were formulated as formal plans. The eleven year plan of the López Mateos administration and the educational reform announced by President Gustavo Díaz Ordaz (1964-1970) in 1968 (soon forgotten in the wake of the student rebellion) can be seen as antecedents of the educational reforms that would be launched by the following three administrations.

TECHNOCRATIC PLANNING

The ideological discourse that characterized the

administration of President Luis Echeverría Alvarez (1970–1976) can best be understood as a response to the social tension that began to develop in the final years of the Díaz Ordaz presidency. Echeverría began his presidential term faced by growing dissatisfaction with the authoritarian nature of the Mexican political regime and the persistently unequal class and urban-rural distribution of wealth. Sixty years after the revolution, its ideals stood in sharp contrast to a national reality characterized by ever-growing inequality.

President Echeverría's reformist discourse addressed this critical situation: he pointed out the need for a democratic opening ("*apertura democrática*"), and called for a transformation of the country's model of development, substituting "shared development" for the "stabilizing development" motto of the preceding decades. And he proposed to improve the living standards of the people, especially by expanding their educational opportunities. The educational program of his administration was therefore presented as part of a national reform effort.⁶

Several analysts have argued that the educational reform undertaken by Echeverría's administration consisted of unconnected programs: legal reforms; the creation of secondary and college-level institutions; an unprecedented expansion of student enrollment at every level; the reform of primary, secondary school and teacher education curricula; the promotion and reorganization of technical education; and the institutionalization of open education.⁷

These reforms were much broader than the eleven year plan of the López Mateos administration. They extended to the bureaucratic structure of the Ministry of Education, including the creation—in 1971—of an undersecretary of planning and coordination. However, President José López Portillo's "Plan Nacional de Educación" showed a far greater refinement in

policy instruments as well as procedures of implementation.

President Echeverría's reforms contained no clear statement of objectives, programs or priorities, but López Portillo's plan spelled out in great detail the main objectives as well as the central programs to be implemented. The focus was on the universalization of primary education, the improvement of the relation between technical education and the productive requirements of the country, and the quality of educational services in general. Once more the Ministry of Education was reorganized, with an emphasis on slimming down its bureaucracy.⁸ Finally, a new university—the Universidad Pedagógica Nacional—was added to the teacher training system, in response to the demands of Mexican teachers.⁹

Despite the call for an educational revolution by the administration of President de la Madrid, it is difficult to see a radical difference between the educational programs launched after 1982¹⁰ and what preceded them, except perhaps for a stronger emphasis on the need to solve such qualitative problems as student absenteeism. On the whole, many of the objectives of the previous two administrations are being repeated: technical education, teacher training, bureaucratic decentralization, rationalization of financial and administrative resources and, in general, improvement of the educational level of all Mexicans. The difference lies more in the ideological tone adopted by the de la Madrid administration, which fuses Echeverría's populism and López Portillo's technocratic character to form a new term, "democratic planning."¹¹

CONCLUSION

What can we conclude about the effects of almost 70 years of political stability on Mexican education? First, the different political actors involved in educational policy have transformed the nature of the debates and actions undertaken (for example, the complete exclusion of the Church after 1917 and the inclusion of the teachers union on debates and policy after 1944). Second, the controversies over the nature of state intervention in education, the content of education, the contribution of education to social and economic change and the specificity of educational planning seem permanent. Third, unequal educational opportunities persist despite the expansion of the educational system.

(Continued on page 133)

⁶For an analysis of educational policy in this period, see Pablo Latapi, *Análisis de un Sexenio de Educación en México: 1970–1976* (Mexico: Editorial Nueva Imagen, 1980).

⁷During Echeverría's tenure, student enrollment increased by 35.7 percent in primary schools, 75.7 percent in junior high schools, 130 percent in senior high schools, 113.2 percent in teacher education programs and 106.1 percent in colleges.

⁸For an analysis of this process see Susan Street, "Burocracia y Educación: Hacia un Análisis Político de la Desconcentración Administrativa en la SEP," *Estudios Sociológicos*, vol. 1, no. 2 (May–August, 1983).

⁹Karen Kovacs, "La Planeación Educativa en México: La Universidad Pedagógica Nacional," in *ibid.*

¹⁰Poder Ejecutivo Federal, Secretaría de Educación Pública, *Plan Nacional de Educación, Cultura, Recreación y Deporte: 1984–1988* (Mexico City, D.F., August, 1984).

¹¹Upon assuming power, President de la Madrid promoted a constitutional reform that would institutionalize democratic planning. See Poder Ejecutivo Federal, Secretaría de Programación y Presupuesto, *Plan Nacional de Desarrollo 1983–1988* (Mexico City, D.F., May, 1983).

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Mexico's involvement in the Contadora initiative and the Cartagena group is part of a "mixed record of . . . relations with the rest of Latin America." A debate rages as to whether Mexico should integrate further either with Latin America or with the United States.

Mexico and Latin America: The Limits of Cooperation

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OVER the last quarter-century, Mexican-Latin American relations have enjoyed a high priority in terms of the "political" dimensions of Mexico's foreign policy. In addition, since the early 1960's, practically every administration has committed itself to strengthening the country's economic relations with its southern neighbors. Yet Mexico's economic interactions continue to be heavily concentrated in the industrial West, especially in the United States market.

The most recent experiences of the administration of President Miguel de la Madrid Hurtado are in a sense a reflection of an older historical pattern. Although they define their country as a part of Latin America and are trying to strengthen Mexico's Latin American links, Mexican authorities find that in 1987, measured by such indicators as the direction of Mexico's foreign trade, Latin America is no more important for the Mexican economy today than it was in the early 1960's. In spite of 25 years of efforts to "diversify," Mexico is more dependent than ever on the United States.

Mexico's relations with the other nations of Latin America are conditioned by history, geography and economics. On the one hand, there is an assumption that common language, similar histories and a similar colonial heritage make Mexico part of Latin America. It is not hard to find statements of Mexican public officials that repeatedly make this point. From former President Luis Echeverría Álvarez's assertion that "our destiny is intimately associated with that of Latin America" to Foreign Minister Bernardo Sepúlveda's identification of Latin America as the country's "*ámbito natural*," Mexican political discourse is filled with references to Mexico's intimate Latin American connection.

Different parts of Latin America may be empha-

sized at one moment or another. Thus, a tendency to see the problems of the countries of the Central American isthmus as more relevant and immediate than the problems of South America was clear in public statements made in the early 1980's. The 1983-1988 Global Development Plan approved by the current administration, for example, states that

in Mexico, . . . relations with the countries of Central America stand out first of all. This priority stems from geographic vicinity, from links that derive from a cultural legacy and a common past and from a coincidence of our fundamental interests and aspirations.¹

Regardless of whether the Central American nations or the larger countries of the southern cone are given priority, Mexico's membership in the wider community of Latin American nations has achieved the status, in former Mexican President José López Portillo's words, of an "article of faith" for Mexican policymakers.²

The automatic association of Mexico with Latin America constitutes the conventional thinking of academics (North and Latin American alike) and international organizations, in which Mexico is defined as a member of third world forums like the Group of 77 and as one of the most active participants in Latin American affairs.

This, however, does not mean that in everyday Mexican political life Latin American concerns occupy the center of attention of either public or private elites. After all, in 1985 exports to other Latin American and Caribbean countries represented no more than 6 percent of total Mexican exports while imports from the region accounted for only 5 percent of Mexico's imports. But figures or no figures, the fact remains that for Mexican political elites, Latin America is the most immediate and direct point of reference in the external world.

Several explanations have been proposed to account for the dismal record of Mexican overtures to its southern neighbors. Latin America's colonial legacies helped orient the economies of the Latin American nations toward those of the metropolitan centers and away from other Latin American nations. Almost

¹Secretaría de Programación y Presupuesto, *Plan Nacional de Desarrollo 1983-1988* (Mexico City, D.F., 1983), p. 76.

²José López Portillo, "Conferencia de Prensa en Brasilia, 29 de julio de 1980," in Mexico, Presidencia de la República, *Solidaridad mas allá de las palabras* (Mexico City, D.F., 1980).

immediately after its independence, Mexico participated in the Panama Congress, which was the most important symbolic benchmark in the early years of the movement for Latin American unity. However, this marked the only time in the nineteenth century that Mexico joined such efforts, until the 1889 Washington conference, in which a new kind of "Panamericanism" was born as the United States attained the status of a world power.

A second explanation involves the pull of the other market: the United States. In sum, political decisions have proved to be only a limited match for the market's powerful forces.

ECONOMIC INTEGRATION

The early 1960's saw a series of attempts at economic integration in Latin America, including Mexico's participation in the Latin American Free Trade Association (LAFTA).

The creation of the Latin American Free Trade Association did not originally involve Mexico. Rather, it was the result of negotiations that had taken place primarily among southern cone countries like Argentina, Brazil, Chile and Uruguay. Mexico joined the effort at the very last minute after a political decision was made at the highest levels of the Mexican government. Recalling the highlights of that process gives a clear picture of the complexities usually involved in Mexican-Latin American relations.

During the 1950's two factors had combined to make Latin American integration increasingly attractive for countries like Mexico. In the first place, the import substitution strategy, which had led to an initial degree of industrialization, encountered its first problems. The "easy phase" of the process came to an end, and it became necessary to go beyond the production of final goods and start substituting intermediate inputs and even capital goods. Second, spurred by the efforts that would lead to the creation of the European Economic Community (EEC) and by the United Nations Economic Commission for Latin America's (ECLA) proposals to continue import substitution at the regional level, various Latin American nations launched initiatives to create a Latin American free trade area.

In March, 1959, ECLA released a report by a working group charged with making recommendations on the possibility of establishing a Common Market. At the same time, Argentina, Brazil, Chile and Uruguay made significant progress in their initiative to create a South American Free Trade Zone. After inviting Bolivia, Paraguay and Peru to join them, in September, 1959, they entered into the final round of negotiations of the Montevideo Treaty. Mexico and Venezuela participated only as observers, but once

negotiations ended the Mexican authorities expressed an interest in joining the organization. However, it was not until President Adolfo López Mateos's South American tour of January, 1960, that Mexico was invited to join the group as a "founding member"; it joined in the signing of the treaty on February 18, 1960. (The Montevideo Treaty entered into force on June 1, 1961; Mexico, along with Argentina, Paraguay and Peru, was among the first countries to ratify it.)

Mexico decided to join LAFTA for two reasons. In the first place, Mexico was concerned that it might otherwise suffer some degree of discriminatory treatment in commercial terms. Second, Mexico might gain significant comparative advantages, because of its relative development, productive capacity, political stability, lack of exchange controls, other incentives for direct foreign investment and even its geographic location, which made its agricultural seasons complementary to those of the southern hemisphere.³

During the first decade of LAFTA's existence and in spite of the severe problems that would eventually lead to its transformation into the more modest Latin American Integration Association (LAIA), Mexico's participation in the organization did in fact lead to a significant increase in the share of its foreign trade with the rest of the region. Thus, while in 1961 the LAFTA countries represented only 1.4 percent of Mexican exports and 0.4 percent of Mexican imports, by 1971 those shares had steadily increased to 7.9 percent and 3.3 percent.

Mexico's performance in LAFTA can be summarized in a few figures. Even though Mexican trade with the rest of Latin America exhibited the most dynamic growth of all the countries involved, by 1969 it accounted for only 6 percent of all intra-LAFTA trade, almost the same level as Colombia (5.8 percent), but much less than the shares of Argentina (33.2 percent), Brazil (24.5 percent) and Chile (14.9 percent).⁴ Mexico's exports were diversified and included a significant percentage of manufactured goods, while its imports were less diversified and incorporated fewer manufactured goods.

Latin America still represented a minor percentage of Mexico's economic trade, but by the early 1970's the importance of Latin America could not be minimized. In fact, the relative success of Mexico and the other larger economies of the region within LAFTA led to the first internal criticisms of the association; these criticisms eventually led to the creation of geographically restricted economic integration treaties like the Andean Pact. Mexico supported the creation of these subregional entities, but it was not until 1972, as a result of President Luis Echeverría's visit to Chile, that an Andean-Mexican joint commission was created.

During the 1960's, Mexico's membership in LAFTA constituted its most far-reaching attempt to increase

³Wolfgang König, *México y la Integración Económica de América Latina* (Buenos Aires: BID-INTAL, 1973), p. 83.

⁴*Ibid.*, p. 192.

its trade with the rest of Latin America. For a while, in fact, discussing Mexican relations with Latin America meant discussing efforts undertaken in the context of LAFTA. Hopes ran high. In April, 1967, the Latin American Presidents issued a declaration in which they committed their countries to the creation of a Latin American Common Market, which was supposed to come into operation no later than 1985. That effort's failure is well known.

LAFTA was eventually revamped into LAIA, but in its new incarnation the association failed to capture the imagination of Latin American elites. Nontariff restrictions, based on the widespread use among South American countries of such mechanisms as multiple exchange rates and policies of continuous currency devaluation, introduced a series of new obstacles. Authoritarianism and direct military participation in the regimes of many South American partners also dampened the initial Mexican enthusiasm for Latin American integration.

LAFTA's initial impulse and a good deal of its business was concentrated in precisely those countries that became authoritarian during the 1970's. During that decade, the Mexican government's attention was increasingly directed to the global level, where relations with other nations of the third world were strengthened. A new series of initiatives for Latin American cooperation came not from the southern cone but rather from Mexico and Venezuela, precisely those countries that had remained at the margin of the first efforts. It was during the early 1970's that Mexico's Latin American identification was subsumed into a wider set of third world alliances.

The Central American Common Market was another attempt at Latin American integration in which Mexico was not a partner but, potentially, an excluded competitor. As a member of LAFTA, Mexico could not offer the Central American economies the same treatment that it gave other signatories of the Montevideo Treaty. Thus, a series of exceptions favoring the isthmus had to be negotiated with other LAFTA members. In 1966, Mexico asked LAFTA's council of ministers to approve a protocol to the Montevideo Treaty that would allow members to grant nonreciprocal trade preferences to, among others, the members of the Central American Common Market (CACM). However, the protocol was not approved.

This did not discourage Mexican efforts aimed at strengthening Mexico's presence in Central America. The López Mateos administration and the Gustav

Díaz Ordaz presidency launched a series of policies to link the Mexican and the Central American economies. Central America might well have been considered the highest priority for Mexican diversification efforts during the Díaz Ordaz administration. Attempts were made to increase trade relations, to promote direct Mexican investment and to help institutions like the Central American Bank of Economic Integration.⁵ In 1965, a Mexican–Central American joint commission was created and in January, 1966, the Mexican President toured the region, signing several agreements that dealt with economic cooperation. As a result, the Bank of Mexico opened a line of credit in favor of the Central American Bank of Economic Integration.

Unfortunately, the results were meager. From 1960 to 1979, Mexican exports to the subregion grew from \$7.2 million to \$136.7 million, still representing only 1.6 percent of total Mexican exports in 1979. Figures for imports present a similar picture, growing from \$528,000 in 1960 to \$13 million in 1979. However, because of the low volume of trade in 1960, significant rates of growth did not alter the marginal character of Mexico's trade with Central America.

Nonetheless, the relative importance of those relations and those established in the context of LAFTA was considerable. And while Mexican trade with the developed countries usually brings a deficit to Mexican current accounts, the opposite is true of relations with the developing world—in particular, Latin America. But the initial enthusiasm associated with the rapprochement with Central America led to a less enthusiastic attitude on the part of Mexican authorities in the following decade.

POLITICAL COOPERATION

For many years, Mexican–Latin American relations meant economic relations. Over the last three years, however, new and intense forms of cooperation among Latin American countries have emerged. From a Mexican perspective, these new relations flow from the political stream of its Latin American policy, although they deal with crucial economic and financial issues.

Three crucial characteristics stand out. The “*retórica Bolivariana*,” with its grandiose appeals to the Latin American motherland, has been replaced by a more subdued approach. There is an emphasis on the defense of specific interests, as opposed to the building of ambitious institutions or the pursuit of lofty but somewhat tenuous ideals. Last, the institutional forms of the new cooperation have been flexible.

This new cooperation represents a significant innovation in Mexican foreign policy. In particular, there is no longer an emphasis on the defense of principles without an active search for supporters.⁶ Mexico no longer seems content with being a lone voice.

The example of the Contadora group is clear in this

⁵Gabriel Rosenzweig, “La Cooperación Económica de México con Centroamérica a Partir de 1979: Perspectivas para los Próximos Años,” in Olga Pellicer de Brody, ed., *La Política Exterior de México: Desafíos en los Ochenta* (Mexico City, D.F.: CIDE, 1983).

⁶Olga Pellicer de Brody, *México y la Revolución Cubana* (Mexico City, D.F.: El Colegio de México, 1972).

regard. The four original members (Colombia, Panama, Venezuela and Mexico) had various reasons for such an effort,⁷ but a very concrete common reason emerged: their geographic location as the "front-line states" in the Central American crisis. A military conflict that would engulf most of the isthmus would have very dire consequences, from increased migratory flows to the potential disruption of trade across the Panama Canal. Regardless of its relative importance for the United States, this trade is crucial not only to Panama but also, for example, to Colombia. In addition, United States military intervention in the area was a real possibility.

The joint Latin American effort, launched in early 1983, tried to propose solutions to the Nicaraguan conflict, emphasizing that a conflict in a Latin American state could be solved with the help of other countries of the region. Second, the Contadora effort focused on viable alternatives to the military solution that was perceived as the main thrust of United States policy in Central America.

The new kind of intra-Latin American cooperation represented by Contadora had several characteristics. Seen from the perspective of the participating countries, Contadora's diplomatic initiative was not defined in opposition to the United States. In repeated statements, the governments of the four countries declared that they wanted to provide the United States with an "elegant" way out of what they perceived as a trap of its own making.

As a result, the Contadora nations have tried to deal with what the United States said was its main concern at the time Contadora was created—the security dimension of the crisis—even while they stressed its socioeconomic roots. Thus the documents produced in 1983, 1984 and 1985 tried to guarantee that the area would be free of "foreign" troops and bases. However, in due course the United States showed that in its own view, the Latin American effort did not adequately guarantee its interests, an attitude that was difficult to understand in light of the proclaimed United States objectives (eliminating any Soviet and Cuban presence in the area).

Contadora guaranteed the survival of the Sandinista regime in Nicaragua; and Contadora references to "foreign" troops and bases could be interpreted to include not only the United States' enemies but the United States as well. In this light, the efforts undertaken by Mexico and its Latin American partners were seen in Washington not as the solution to the conflict but rather as an additional (and relatively minor)

obstacle that the administration of President Ronald Reagan had to overcome. At the same time, the Contadora group realized that the United States was apparently more interested in guaranteeing its own hegemony over an area that was considered part of the "categorical imperative" of its national security.⁸ The United States has been the dominant power in this area since at least the beginning of this century; the current administration does not seem to be interested in allowing any "regional power" or alliance to take primary responsibility for the security of its immediate neighborhood.

The Mexican experience in Contadora also underlines the difficulties implicit in entering the multilateral bargaining process. The key problem is not only the maintenance of a given policy in the face of clear United States opposition, but also the ability of the North American government to modify the positions taken by other countries, which may be enticed in various ways to support United States positions.

And, of course, the wider the participation in a given exercise at collaboration, the greater the complexities. Many questions have been raised by the creation in mid-1985 of the Lima Group, set up by Argentina, Brazil, Peru and Uruguay to support the Contadora initiative, and the potential institutionalization of this expanded group, which could direct its effort to other security issues in the region.

MEXICO AND CARTAGENA

The level of cooperation in the informal Cartagena group is very different from the cooperation in Contadora. In the Cartagena group, Latin American governments have tried to deal collectively with a crucial issue on their diplomatic agendas: the management of their financial crises, specifically their foreign debt. The origins of the Cartagena group go back to May, 1984, when the Presidents of Argentina, Brazil, Colombia and Mexico made public a joint declaration expressing their concern about the risks of increased interest rates and the emergence of protectionist tendencies in world trade. On June 5, the Presidents of Ecuador, Peru and Venezuela joined the original group and issued a second declaration on the debt question, which they addressed to the leaders of the industrial countries meeting in London.

On June 21–22, Bolivia, Chile, the Dominican Republic and Uruguay joined the group in Cartagena.
(Continued on page 133)

⁷Wolf Grabendorff, "The Internationalization of the Central American Crisis," in Wolf Grabendorff et al., eds., *Political Change in Central America: Internal and External Dimensions* (Boulder, Colo.: Westview Press, 1984).

⁸Mario Ojeda, *Alcanes y Limites de la Política Exterior de México* (Mexico City, D.F.: El Colegio de México, 1976).

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BOOK REVIEWS

ON MEXICO

INTELLECTUALS AND THE STATE IN TWENTIETH-CENTURY MEXICO. By Roderic A. Camp. (Austin: University of Texas Press, 1986. 279 pages, notes, bibliographic essay and index, \$25.00, cloth; \$10.95, paper.)

This study examines the varied characteristics of Mexican intellectuals, their role in society, and their relationship to the state since 1920. It demonstrates how particular characteristics of Mexican intellectual life evolved from the nation's cultural and social features, its economic conditions and its unique political structure. The study also compares Mexican intellectual life with intellectual life in other countries of the developing world.

The impact of the intellectual on the formulation of public policy has been exceptional rather than typical, the author concludes. He believes it was much more definite in the 1920's and 1930's than it has been in recent decades; today through the technocrat the politician has acquired skills that the intellectual supplied in earlier years. Nevertheless, Camp believes that one circumstance that might halt the pattern of alienation is the government's desire to reincorporate the intellectual into public life as a means of legitimizing the state's activities.

Mary M. Anderberg

MEXICO AT THE CROSSROADS: THE MANY CRISES OF THE POLITICAL SYSTEM. By Brian Latell. (Stanford, Calif.: Hoover Institution Press, 1986. 34 pages and notes, n.p.)

Recent reports on Mexico's critical economic and political situation have been based to some extent on pessimistic Central Intelligence Agency (CIA) assessments of Mexico. Not surprisingly, Latell, a member of the CIA's National Intelligence Council, also argues in this brief monograph that Mexico faces a dark future: "Unless the country's leaders adopt bold new initiatives to decentralize and democratize the rigid, authoritarian political structure, the odds will continue to rise that the system will rupture violently." Latell's arguments that Mexico faces collapse do not necessarily agree with the description of Mexico he presents. For example, he argues that the limited political "reforms" of the last three presidencies "have proved destabilizing" because they "have let the genie of true democracy out of the bottle." But Latell immediately notes that the most important result of the reforms is that the ruling Institutional Revolutionary party has been compelled "to perform in elections as a real polit-

ical party . . . rather than to function merely as the monolithic front of the [political] system." Latell fails to show why this positive change is, in itself, destabilizing.

Even though the arguments for crisis may not be convincing, *Mexico at the Crossroads* still offers a vivid description of the major problems afflicting Mexico.

W.W.F.

DISTANT NEIGHBORS: A PORTRAIT OF THE MEXICANS. By Alan Riding. (New York: Vintage Books, 1986. 563 pages, selected bibliography and index, \$4.95, paper.)

This is the paperback edition of Alan Riding's widely acclaimed book on Mexico published in 1984. Riding was *The New York Times* bureau chief in Mexico for six years and wrote his book to make Mexico more accessible to non-Mexicans. He believes that "for the United States, understanding Mexico, its distant neighbor, is a matter of self-interest and national security." Although the two countries live side by side, the contrasts between them are so great that probably "nowhere in the world do two neighbors understand each other so little."

His book offers an excellent introduction to the complex Mexican character, Mexico's society, political system and postrevolutionary history, and Mexico's troubled contemporary scene. He believes that real politics in Mexico takes place "behind masks," and sees the elections of the Senate and Chamber of Deputies, the state governorships and municipal posts as "political theater, an elaborate ritual." Without elections, however, the political system would lose its mask of democratic legitimacy, so the state keeps alive a formal opposition, providing it with money to conduct campaigns. He deals with the issue of corruption and writes that the system has never functioned without corruption and would disintegrate if it tried to remove it. A description of the scandalous final months of López Portillo's presidency provides an example of the type of self-aggrandizement that the public can expect from its leaders.

In dealing with the oil boom and bust and the economic hardship that followed, Riding points out that the crisis demonstrated that Mexico's economy could no longer finance the traditionally profligate ways of the political system. The economic crisis intensified the severe problems the Mexican government has been unable to deal with over the last decades: urbanization and population growth; poverty, violence and injustice in the countryside among

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BASIC DATA ON MEXICO

THE ECONOMY

Production

Gross National Product (GNP) (1983)	\$135.8 billion
Annual growth in GNP (1965-1984)	2.9 percent
GNP per capita in dollars (1984)	\$2,040
Gross Domestic Product (GDP) in 1984	\$171.3 billion
Percentage Makeup of GDP in 1984:	
Agriculture	9
Industry	40
Services	52
Percentage change in GDP ^a in:	
1980	8.3
1981	7.9
1982	-0.5
1983	-5.3
1984	3.7
1985	2.7
1986 (estimated)	-3.5

Employment

Percentage of working age population (1980) employed in:	
Agriculture	37
Industry	29
Services	34

Foreign Trade

Exports (1984)	\$24.054 billion
Imports (1984)	\$11.267 billion

Makeup of 1983 exports (in percent)

Fuels, minerals, metals	64
Other primary commodities	9
Textiles and clothing	1
Manufactures	26

Makeup of 1983 imports (in percent)

Food	17
Fuels	3
Other primary commodities	6
Manufactures	74

Foreign debt (1984)

Public	\$69 billion
Private	\$18.5 billion
IMF credits	\$2.360 billion
Short-term debt	\$7.440 billion
Total foreign debt	\$97.307 billion
Total foreign debt for 1986 (projected figure)	\$103 billion ^b

GOVERNMENT EXPENDITURES (1983)

Defense	2.0 percent
Education	11.0 percent
Health	1.2 percent
Housing, social security and welfare	12.5 percent
Economic services	26.2 percent
Other	47.2 percent

POPULATION

Population (mid-1984)	76.8 million
Population per square kilometer ^c	37.3
Projected population for 2000 ^d	109 million
Projected population for 2050 ^d	182 million
Average annual growth rate:	
1965-1973	3.3 percent
1973-1984	2.9 percent

SOCIAL INDICATORS

Life expectancy (in years):	
Male born in 1965	58
in 1984	64
Female born in 1965	61
in 1984	69
Infant mortality rate (per thousand):	
1965	84
1984	51
Daily calories per capita (1983)	2,934
Percentage of daily required calories (1983)	126 percent

Income distribution (1977)

Percentile groups of households	Percentage share of household income
Lowest 20 percent	2.9
Second quintile	7.0
Third quintile	12.0
Fourth quintile	20.4
Highest 20 percent	57.7
Highest 10 percent	40.6

Education

School Level ^e	Total Students	Total Teachers
Primary school	15,222,916	415,425
Secondary school	3,990,637	212,183

Percentage of school-age population enrolled in: ^f	1965	1983
Primary school	92	119
Secondary school	17	55
Higher education	4	15

Sources: Unless otherwise indicated, all figures are from the World Bank, *World Development Report, 1986* (New York: Oxford University Press, 1986).

^aThe New York Times, October 23, 1986, p. D29.

^bIbid.

^cIn mid-1982. See *The Europa Yearbook, 1985*, Vol. 2 (Detroit: Gale Research, 1985), p. 2173.

^dThe projections for 2000 and 2050 are from the World Bank, *World Development Report, 1984* (New York: Oxford University Press, 1984), p. 193.

^eThe figures are for 1983. See *The Europa Yearbook*, p. 2178.

^fThe World Bank calculates these percentages based on standard school ages for each category; since it considers primary school-age to be 6 to 11 years, the percentage figure for 1983 primary school attendance is higher than 100 percent because some of the students are above or below Mexico's standard primary-school age.

MEXICO'S DEVELOPMENT CRISIS

(Continued from page 104)

try, a rule that was probably already being violated by clandestine arrangements. This change allowed foreign corporations to enter Mexico with official assurance that they would have effective managerial control of their operations and a greater share in profits that could be remitted to parent firms.

In a surprising and more significant change of policy, President de la Madrid announced in November, 1985, that Mexico would seek membership in the General Agreement on Tariffs and Trade (GATT). This action reversed a decision in 1980 by the previous administration not to enter the multilateral organization but to continue bilateral negotiations, however difficult, with the United States government to reach an understanding over long-standing trade disputes under the General System of Preferences. When formally admitted to the GATT on July 15, 1986, the Mexican government in effect abandoned a protectionist policy that had been a basic feature of the nation's internal development strategy since World War II. Among Mexican observers, it was widely believed that the de la Madrid administration had been strongly pressured by the Reagan administration to join GATT as a condition of support for further financial assistance.

Mexico will no doubt seek special and differential treatment to avoid strict application of GATT rules during an eight-year transitional period. Much will depend on how rapidly the economy is exposed to effective free trade. Some outside advisers have already suggested that if Mexico is to limit the growth of its external debt, it must curb its domestic inflation by a disinflationary "shock treatment" that will clamp down the monetary brakes even harder than in previous austerity periods and at the same time will open the economy to international competition, with the aim of bringing down the cost of living with cheap imports. It is argued that the elimination of inflation would make the cost of servicing the external debt more manageable because the interest rate would not include the inflation premium now charged by foreign lenders.

Such a "shock treatment" was adopted by General Augusto Pinochet, the military leader of Chile, beginning in 1975, with disastrous results. The sudden reduction in tariffs caused the widespread bankruptcies of Chilean industries, unprecedented rates of unemployment, and the eventual collapse of the banking system. Drawing a lesson from Chile, Mexican officials believed that if Mexico were to make a successful transition to a high-efficiency, competitive economy, it would have to proceed more cautiously, with premeditated steps permitting the introduction

of new technologies and managerial efficiencies related to national development priorities.

THE LONG-TERM GROWTH PROBLEM

There is little reason to think that another dose of austerity and an 18-month emergency assistance package made up primarily of short-term credits will bring the Mexican people closer to the growth path that they desire. It is widely recognized that injections of fresh loans, combined with the compounding effect of still-high interest rates, will simply increase the large external debt that currently inhibits independent development planning by the Mexican government.

Several changes in institutional arrangements are needed to alleviate permanently the crisis syndrome that has characterized the stop-and-go policies of recent administrations. First, assured and adequate sources of long-term investment funds appropriate to development purposes must be found and made available to Mexico. Second, a disciplinary agency more effective than the IMF should be created to supervise the use of development loan funds; the agency should focus not so much on the balance-of-payments adjustment problem as on the effective implementation of development projects and the use of audit controls to prevent the diversion and leakage of funds. Finally, the Mexican government must make a more serious effort to apply internal fiscal controls and to prosecute wrongdoing by public officials and others who are believed to have been guilty of enormous misuse and personal appropriation of funds in the past.

Since the prospect was slight that private long-term venture capital would enter Mexico during its third major crisis within a decade, attention centered on a proposal made by Secretary of the Treasury Baker at a joint meeting of the World Bank and the International Monetary Fund in Seoul, South Korea, on October 5, 1985. Directed not only at Mexico but at all 15 major debtor countries (10 in Latin America), the Baker plan proposed to raise \$29 billion over three years and make these funds available to cooperating debtor countries with longer maturities and easier terms than those then in effect. Nine billion dollars would be provided by the World Bank, which would have enhanced resources and a new emphasis on general development lending rather than project financing; the remaining \$20 billion would come from American, European and Japanese commercial banks.

In return, the debtors would agree to adopt growth-oriented economic policies, which were defined as reducing government spending, cutting budget deficits, slowing inflation, and turning many state-owned businesses over to private hands.

In the ensuing widespread discussion of the Baker plan among bankers, government officials and economists, a consensus emerged that the main factor

delaying development in the debtor countries was an excessive number of unprofitable public enterprises that required heavy fiscal subsidies to operate. These state-dominated economies needed to be "restructured," a term that meant turning public enterprises into privately owned companies and thus making them more efficient and growth oriented.

Mexico, which had acquired some 1,150 state enterprises over the years, was cited as an example of excessive state control that could be corrected by restructuring. Since many state enterprises were of minor importance in the economy and were poorly managed by untrained officials, the de la Madrid administration was easily persuaded to sell off or close such firms. Among these was the state-owned hotel industry, one of the few enterprises profitable enough to be sought by private buyers. By June, 1986, the government reportedly retained only 690 state enterprises, still a considerable number, but difficult to reduce further for compelling political or economic reasons.

Some large state enterprises, like the railways, the Mexico City underground transit system, and the light and power utilities, annually lose large amounts of money under public regulatory control and require large fiscal subsidies. It would be difficult to find private buyers for these enterprises, even if regulated rates were increased to the limits of public acceptance.

Pemex is the largest and most profitable of the national enterprises, but it was created by the government as the result of an expropriation decree on March 18, 1938, which most Mexicans still consider a momentous victory over foreign oil companies. It is highly doubtful, therefore, that the government will sell Pemex. It is possible that in a future emergency some portion of Pemex's unexploited reserves might be pledged in bond for loans from the United States government or private lenders, as has been suggested by some economists.

A more likely possibility is the complete return of the recently nationalized banking system to private hands. However, this would mean a major surrender by the government of authority over the exchange control system, and might even bring objections from proponents of strict domestic monetary control in the United States government and the IMF. Shortly after he took office in 1982, President de la Madrid authorized the resale of 34 percent of the assets of the nationalized banks to the public; later he permitted the banks to sell off their holdings in Mexican companies and foreign subsidiaries.

In sum, it would appear that "restructuring" the Mexican economy as called for by the Baker plan may turn out to have only a minor effect on the growth

rate. Of greater concern is whether the long-term investment funds forthcoming under the plan will be sufficient to have a significant impact on Mexico's long-range development needs. The \$9 billion to \$11.5 billion to be provided by the World Bank over three years for 15 countries has been criticized as inadequate, although it was intended only as seed capital to stimulate other lending. Even with increased funding, the World Bank and its affiliate, the International Development Association, have already reserved nearly half the additional funds for some 29 nations in sub-Saharan Africa. These nations were given highest priority after a special session of the United Nations in June, 1986, focused attention on critical economic conditions in that region.⁷

In any event, financing Mexico's long-term development will hardly be possible without consolidating the existing short-term external debt and assigning it a long maturity (or no maturity date at all, as in the case of the British consolidated debt). It is the constant need to roll over maturing short-term debt and to add to it as a form of current international income transfer that has given rise to the perennial financial crises that require major rescue operations. Several devices have been suggested to restructure the Mexican debt into a sustainable long-term claim on export earnings. One plan would permit foreign investors to buy Mexican dollar-debt obligations at a sharp discount, convert the debt into pesos with the assistance of the Banco de México, and invest the proceeds in ownership shares in Mexican industry. Some debt-for-equity swaps of this sort had already been made on a relatively small scale by mid-1986.

One reason that foreign investors, other than operating companies with management control, have been hesitant to invest in Mexico has been their fear of expropriation; and they have had little assurance that long-term loans would be used for the purposes for which they were intended. In making short-term loans, foreign commercial banks have relied on the International Monetary Fund to approve recovery programs and to impose regulations known as "conditionality," which govern the use of funds. However, the IMF's prime concern is that debtor countries clear up their balance-of-payments problems; it does not have the means to require countries to carry out long-term investment projects faithfully.

What is called for is a new international mechanism for overseeing the effective use of financial resources in specific long-term development projects (a function formerly carried out by private investors who directly assumed the risk). It has been suggested that this oversight function could be performed by broadening the responsibilities of the World Bank or by creating a new international institution specifically assigned the task. Such oversight would have to be accepted by a country receiving long-term investment assis-

⁷At the end of 1986, the United States Congress had not yet approved the \$2.85-billion American commitment to the Bank.

tance as a condition of obtaining this type of credit and as part of a mutually agreed strategy for promoting national economic development. In its dire circumstances, the Mexican government might agree to such an arrangement.

Mexico's reputation for using its own financial resources effectively has suffered from revelations about the leakage of public funds into private hands. There is mounting evidence that the failure of President López Portillo's Global Development Plan and the accompanying rise in the external debt burden were at least in part attributable to a vast misuse of available financial resources, a great part of which were earned by oil exports (rather than borrowed). In retrospect, a major mistake in Mexico's planning process after 1976 was the central government's failure to capture and establish firm fiscal control over the nation's rapidly expanding dollar earnings. Such control should have been readily feasible, since most of the earnings were received by Pemex, a single entity under direct government control. Few individuals responsible for the diversion of funds have been identified and prosecuted, and legal efforts to recover government losses have been notably ineffective.

In his electoral campaign in 1982, candidate Miguel de la Madrid inveighed against corruption in the government, which was controlled by his own political party. After election, he made "moral renovation" a major objective of his new regime. Despite the political difficulty of securing effective internal reform, this objective must remain a prime concern of the Mexican government if it is to earn the confidence that it can carry out a successful development program. Many critics have pointed out that a system of explicit fiscal controls should be mounted so that the resources that are already available through trade and taxation are no longer subject to waste and illegal capital flight.

CONCLUSION

Having managed its financial and fiscal affairs poorly in the period of the oil boom, the Mexican government has become hostage to external debt, both public and private, and can no longer carry out its development strategy. Little by little, traditional populist policies inspired by the revolution and nationalist controls over internal industrial growth have given way as Mexican authorities have found that they must follow policies dictated from abroad, even though the prescribed remedies do not alleviate the debt problem or significantly curb inflation, while they impose great social cost on the Mexican people.

Yet the earlier history of the post-World War II period shows that Mexico has had great resilience in coping with its problems and ample resources to become a moderately industrialized nation. Even with depressed oil prices, Mexico still earns a substantial flow of dollars through its exports, its border indus-

tries, and tourist spending that could be reinvested in ongoing development if it were not for the high cost of servicing the debt.

Mexico has benefited from its proximity to the United States and the special assistance that the United States has provided during the three financial crises of the past decade. Many Mexicans resent dominance by the United States, which they believe to be unfair, yet it is in the mutual interest of both countries to find a permanent solution to the debt problem and thereby avert further acute financial crises. Once that is accomplished, Mexico should be free to return to control over its own destiny, following its own conception of how economic and social development should take place. ■

MEXICAN LABOR

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1984, the explosion of an oil facility near Mexico City put the government on notice that Pemex is a fragile industry. Although sabotage was never proved, the explosion demonstrated the union's capacity to undermine official plans. To date a tenuous peace has been maintained, occasionally broken by mutual accusations. Most of the union's traditional privileges continue.

By the end of 1985, with a deteriorating economic situation and only minor success in rationalizing Pemex, the government turned to the steel industry. In 1986, de la Madrid made the unpopular move of closing what had been Latin America's first large steel mill, Fundidora Monterrey. The decision saved the government millions of dollars in subsidies, but it cost 8,000 workers their jobs. These firings came on top of four years of unprecedented cutbacks in the government bureaucracy. They made it clear to workers that the official unions were defending neither wages nor employment.

THE FUTURE

After the Mexican Revolution, the country's new elites constructed a social pact that would include something for everybody: economic growth for business, land reform for campesinos, social mobility for the middle class, and relatively high wages and secure employment for industrial workers. The social pact relied heavily on a labor relations system that gave government and labor elites complete control. Workers acquiesced, however, because employment was expanding, and real wages rose significantly, at least after 1952.

The 1986 economic crisis has shaken the roots of Mexico's social pact. Economic growth has been halted; there is no more land to be distributed; the middle class is being squeezed by inflation and a shrinking public sector; and wages are declining. A million people a year enter the labor market in Mexico, and job

creation has been minimal for the last four years. Even the powerful labor elite has been affected by rank-and-file discontent, and by moves for industrial reform.

Still, the system must continue to function to prevent the economic crisis from becoming a social crisis. Nonetheless, it must undergo sweeping reform. Workers must be able to defend their standard of living, and Mexican industry must become more competitive. These goals are not necessarily compatible. In fact, their incompatibility may explain the muted, almost underground nature of the protests. Perhaps the needed reforms are so radical that all parties are frightened. ■

UNEASY NEIGHBORS: MEXICO AND THE UNITED STATES

(Continued from page 100)

It is hard to predict the effects of Simpson-Rodino. If it works—that is, if it leads to an appreciable reduction in undocumented migration into the United States, especially from Mexico—then labor costs for employers will increase and their firms and industries will become less competitive. (This will affect more than agriculture and the winter-vegetable market; undocumented Mexican labor accounts for 25 percent of the work force in the high-tech Silicon Valley and a considerable share in construction, hotels, food processing and other fields.)¹¹ Simpson-Rodino may prompt newly legalized laborers to seek higher-paying jobs, to join unions, and to compete with workers of other ethnic backgrounds. It may lead to internal migration back to the American Southwest, since Mexicans will no longer have to hide from immigration agents (*la migra*), and it will accentuate the already conspicuous concentration of Mexican-Americans in a relatively few states (California, Texas, New York, Illinois). Local governments, especially in cities like Los Angeles and San Diego, may face massive financial burdens for the welfare of these groups.

But there is a reasonable chance that Simpson-Rodino will not work. Employer sanctions have met with little success where they have been tried before, as in the state of California. There are simply too many loopholes for effective enforcement. In this case, one might expect illegal migration to continue at its present pace, with perhaps a million crossings a year but (since most go back to Mexico) an additional *net* immigration of between 300,000 and 500,000 per year. The total number of undocumented Mexicans would thus increase from its present level of around 3 mil-

lion—not, as alarmists would say, between 10 million and 20 million—to perhaps 4 million or 5 million by the end of this decade.¹² Whatever else occurs, one thing is predictable: there will be a thriving industry in the fabrication of papers for undocumented residents seeking to document their presence in the United States since 1982. As migration expert Jorge Bustamante has said, “You in the United States have been saying you’ve lost control of your borders. Before long you’ll be saying that you’ve lost control of your documents.” And if Simpson-Rodino fails, it might create conditions for a truly unpleasant prospect: the appearance of a nativist backlash, with discrimination against Hispanics and clamors for militarization of the United States–Mexican border.

It is the narcotics trade, however, that has captured the greatest attention in the past year or so. In fact, drug trafficking was not a major issue between the two countries until February, 1985, when United States drug enforcement agent Enrique Camarena disappeared and was later found murdered. (Only a year earlier, in 1984, the State Department had singled out Mexico’s antinarcotics campaign for special praise.) Since then, United States officials have decried the fact that about one-third of America’s imports of marijuana and heroin come from Mexico and perhaps 30 percent of the imported cocaine passes through Mexico. But it is Mexico’s apparent inability to solve the Camarena case, plus a subsequent murder, that has led to allegations about corruption and coverup.

Mexicans respond with several points. First, the traffic in narcotics would not exist without the enormous and growing (and illegal) market in the United States, especially among American youth. Without demand there would be no supply; both countries share responsibility. Second, the Mexican government has made a good faith effort to eradicate production and trade. Thousands of police and about 25,000 military troops have been assigned to this campaign; hundreds have been wounded or have lost their lives. Third, the Mexican establishment has no reason to nurture or permit the consolidation of narcotics kingdoms within the country. They could constitute an empire within an empire, and—to the extent that individual officeholders or public agents might collaborate with the traffic—it is a counterproductive kind of corruption. Drug-trade patronage lies outside the control of the regime (in contrast to the petroleum bonanza of the late 1970’s, for instance) and, in times of declining resources, it therefore threatens the regime.

All these bilateral issues—debt, migration and drugs—have two related features in common. In one form or another, these issues will persist for some time: none of them will go away. Second, they demonstrate the costs of “interdependence.” From the United States point of view, they all represent some degree of loss of control—of our finances, of our borders, of our own

¹¹ *Washington Post*, November 28, 1986.

¹² The most responsible estimates for the total number around 1980 were between 1.5 million and 3.5 million; see Kenneth Hill, “Illegal Aliens: An Assessment,” in Daniel B. Levine, Kenneth Hill, and Robert Warren, eds., *Immigration Statistics: A Story of Neglect* (Washington, D.C.: National Academy of Sciences, 1985), pp. 225–250.

mores and society. Here, perhaps, is the key to United States frustration. We can no longer control the outcomes as we think we used to do.

LOOKING AHEAD

What should the United States do? The United States has profound interests in Mexico. There is an economic interest, not only in repayment of the debt and receptivity to United States investment, but also in the overall viability of the Mexican recovery (for example, the post-1982 reduction of imports by Mexico led to the loss of at least 250,000 jobs in the United States export sector). There is a social concern, deriving from migration to the United States and its impact on United States national culture. And there are political interests: Mexico has often served as an effective broker between the United States and the rest of Latin America (and other third world areas). And, by maintaining peace along the Rio Grande, Mexico has made it possible for the United States to project its awesome power in other parts of the world.

So the concerns are real and the stakes are high and getting higher. The question is how best to achieve the legitimate goals of the United States.

The United States must first confront three fundamental intellectual challenges. It must forge an acceptable and appropriate response to the relative decline in United States hemispheric and global hegemony. This is not defeatism; it is realism. Until or unless this situation is faced, the assertions of newly acquired influence by Mexico and other NIC's will be viewed resentfully by Washington as insolent encroachments on traditional United States power domains. Conflict will continue needlessly.

Second, the United States must appreciate and understand the magnitude of the challenges facing Mexico. With regard to economics, the task is more than meeting debt payments; it is a redefinition of national economic strategy, the search for a path to sustained recovery and growth. And in the political arena, President de la Madrid and his advisers are attempting to repair the network of tacit national compacts—informal bargains between the state, the private sector, the foreign sector, peasants, workers and the middle class—that has provided the basis for a half-century of postrevolutionary stability in Mexico. A kind of social contract *a la mexicana*, this series of working agreements was gravely weakened by the events of the early 1980's, especially by the bank nationalization of 1982. It can be either resurrected or redefined, but it cannot be left as it is. This will require difficult decisions, delicate compromises and, in order to succeed, breathing room from the United States.

Finally, United States policymakers must comprehend the extent to which Mexico's problems—and their potential solutions—are linked to the United

States. The United States should not view Mexico or "the Mexican crisis" in a vacuum. To take one example: the answer to the drug problem can come only from a concerted attack on demand as well as on supply. The prospects for Mexico's economic recovery, too, will depend in a large degree on the performance of the United States economy.

For its part, the United States faces substantial political and administrative challenges. One is to design a policy toward Mexico that is coherent and sensible. Mexico-bashing should not become a partisan contest. There is also the question of implementation. Is it possible to direct and coordinate the disparate bureaucracies of the United States government? Whatever the ultimate fallout from the "Irangate" affair (or "Contragate," as some prefer), it has renewed profound suspicions about the ability of Washington—and the White House—to formulate and execute consistent foreign policy.

How can these issues be resolved? One option would be to confront and challenge Mexican authorities. The United States could exert enormous pressure on Mexico in various ways—by imposing trade restrictions, arranging a tourist boycott, limiting credits and investment, and so on.

A get-tough policy may be feasible but it is not sensible. It is hard to imagine what useful purpose could be served by such confrontational tactics. Threats might persuade Mexico to adopt a timid stance on Central America, for instance, but it would not stem the contemporary tides that favor an independent foreign policy. Indeed, overt confrontation might well prove counterproductive, probably in the short run and certainly in the long run, and it would entail unnecessarily high risks for the United States. The most remarkable feature about this approach is that so many officials in Washington seem to favor it.

A second option would be to maintain the status quo: an ad hoc collection of incremental and disorganized decisions punctuated by an occasional meeting of chief executives. At present the United States does not have a policy toward Mexico, and it has not had one for many years. Decisions belong to the bureaucracy. So far this approach has managed to avoid outright catastrophe—relations have been fairly peaceful since the 1940's—but it has achieved this result only under the most favorable conditions. Times and trends are in flux, however, and it seems foolish for the United States to base its policy toward Mexico on the assumption that propitious conditions will continue in perpetuity.

A third approach would be to adopt an explicitly "special relationship," to forge a clear-cut policy to serve United States interests by encouraging the peaceful evolution of the Mexican political system. Under this plan Mexico would occupy a relatively high place on the United States foreign policy agenda,

and it would receive sustained high-level attention. Washington would make a concerted effort to coordinate its decisions and, at the very least, to avoid contradiction and inconsistency (by itself, the integration of trade and financial policies would make a major difference). The United States would try to reach bilateral accords of various kinds, perhaps in the form of limited "package deals" that would establish mutually acceptable rules for trade, investment, and perhaps even migration. In some or all of these areas the United States would offer Mexico frankly preferential treatment.

Perhaps most important, the United States would accept Mexico's right to sovereignty, in the fullest sense of the term, would acknowledge that country's achievements, and would strive for an agreement to disagree. This is not merely pious exhortation. The United States has much to gain from the accomplishments of a flourishing and independent Mexico and much to lose from a weakened and dependent southern neighbor. Such a policy should be seriously considered not only because it is right, but also because it serves United States national interests. ■

MEXICO'S AGRICULTURAL POLICY

(Continued from page 112)

Before the discovery of oil, limited employment opportunities, low wages, poor housing and poor nutrition seemed inevitable as the nation struggled with an expanding population and limited resources. Oil offered the promise of escaping the painful process of slow economic growth based on principally domestic capital accumulation. Spurred by the promise of future oil revenues, foreign and domestic bankers lent enormous sums of money to both the public and private sectors in Mexico. But worldwide recession, a more rapid than anticipated decline in petroleum dependency among industrialized countries, and a raft of internal economic problems have left Mexico with a staggering \$100-billion foreign debt.

Stability and continuity initially characterized the oil industry, predicated first on the monopoly control enjoyed by the major oil companies and later on price stability. Oil producers were once able to count on the power of the OPEC (Organization of Petroleum Exporting Countries) cartel. But both stability and continuity have been shattered by the volatile swings that characterize trade in commodities (like oil) in the absence of an effective cartel. These swings will make it more difficult for the government to carry out effective policy in areas like agriculture that are heavily dependent on government investment.

The Mexican agricultural system will find it difficult to balance the cost of food imports with revenues from food exports; the government will fall short of

that goal, as it has in the past when weather or other constraints make for a poor harvest. The agricultural trade deficit was \$97.6 million in 1984 and \$59.6 million in 1985.⁹ The middle and upper classes are disillusioned and increasingly cynical about the ability of the government to handle economic affairs, and the popularity of the government in rural areas depends on a favorable farm policy. Moreover, the cost of improving farm incomes by raising support prices must either be borne by urban consumers (who harbor considerable resistance to even moderate price increases) or absorbed by consumer subsidies. Although increased production costs and inflation made some food price increases necessary during the López Portillo administration, the government maintained price controls on several hundred items. However, de la Madrid's austerity measures have made some price increases necessary. Only basic foods, particularly those consumed by the lower class, continue to be subsidized.

Once a major contributor to political stability and development, Mexico's agrarian reform is effectively over, leaving some 3 million peasants without land and an equal number with poor and inadequate resources for even feeding their own families, let alone providing food for a burgeoning urban population. Moreover, it will be increasingly difficult to achieve economic development using the old formula of raw materials exports and low-cost labor. Formulating new development concepts and strategies will be the government's major challenge for the remainder of the decade and beyond. ■

THE MEXICAN GOVERNMENT'S LOOSENING GRIP?

(Continued from page 116)

ignations (including the housing minister's in February) followed evidence of corruption (for example, prior certification of inadequate structures, including hospitals that then fell victim to the quakes) and the incompetent handling of expropriation decrees. Embarrassed officials kept backing away from decrees that originally appeared to affect many middle class dwellings not terribly damaged. By the time the government righted itself many citizens had joined together to rebuild, form tenants' unions, and so forth. Observers like the intellectual Enrique Krauze declared that citizens' disillusionment with their government went beyond anything in modern Mexican history; the people would not be susceptible to the sort of cooptation that followed alienation over the 1968 slaughter of university students.

Disillusionment was also seen in the continuation of the sort of brain drain scarcely known in Mexico until a few years ago, and in the continuing rise of investigative journalism. An example of the latter concerned information on the corrupt certification of

⁹Banco de México, "Agricultural Trade," pp. 131-139.

building structures felled by the quakes. Yet the continued lack of criticism from mainstream private media might be emphasized. An example concerned private television's noncoverage of the protests over the Chi-huahua elections. In general, however, private business-government relations continued to show strains, evident in repeated business statements expressing fundamental disagreements in sharp, clearly politicized language.

Electorally, in 1986 PAN could neither mount a national threat (as opposed to a regional, northern one) nor assume offices based solely on the votes it truly garnered. But strengthened opposition was shown by the widened recognition of its victories, increased protests over its losses, and a new attitude within the party itself. Whereas traditional PAN leaders would perfunctorily protest fraud and then return to normal business, new PAN leaders were serious in their non-acceptance of the regime's hold. They want to oust the incumbent party-regime.

But the most exciting development concerning formal opposition to the regime came soon after the official 1986 electoral results were announced. Rightists, leftists and independents joined together. They declared that the 1986 fraud had reached new heights. They charged the party-regime with having "for many years paralyzed national democratic development" (advertisement in *Proceso*, September 1, 1986). And they pledged themselves to efforts to insure one goal: honest voting in the 1988 presidential elections. In doing so they pointedly, if dutifully, made explicit reference to the constitutional dictum of "effective suffrage."

The united opposition proposed several specific measures. These included the creation of a permanent commission representing all their organizations, the establishment of an independent electoral commission (with its own funds) to supervise elections, and the use of voter identification cards with photographs. In September, a National Forum for Effective Suffrage brought together some 26 political organizations, including political parties.

No one yet knows how far this united opposition can go. From the outset, differences arose over certain proposals, like a national strike. Elements on both the left and the right are naturally skeptical about joining with the devil. Some proposals have been clearly opposed. And then there are the historical limits that have been imposed by the regime on organized oppositions. Nevertheless, the united opposition represents another element of uncertainty in a political situation characterized by growing and increasingly vocal opposition and by rising doubts about the regime's strength.

The regime looks forward to the imminent transition, the constitutionally consecrated sexennial change of administrations that has so often provided a sense of renewal. It maintains, at least publicly, that any

problems of apparent political weakness will be solved once the economy is restored to health. But critics emphasize that substantial economic recovery is not on the horizon. Furthermore, the political-economic relationship may work the other way: perhaps major political change is a prerequisite for economic recovery. Some observers believe that the regime can shore up its position by reorienting itself toward the progressive socioeconomic provisions of the 1917 constitution. Others maintain that the regime can regain legitimacy by consenting to a loosening of its grip, by dedicating itself to the constitutional provisions regarding political freedoms.

Will the regime acquiesce in the loosening of its historical grip? Or will it try to reassert that grip? If it tries reassertion, how and at what cost? ■

THE QUEST FOR CHANGE IN MEXICAN EDUCATION

(Continued from page 120)

The state's orientation toward educational policies can also be described: in the second half of the nineteenth century, it could be characterized as mainly legalistic. During the last three stages of the postrevolutionary state, it became bureaucratic, economic and technocratic. Nevertheless, the distance between reality and theory remains large; the vast majority of the population has received an average of only 3.5 years of schooling.

A true "educational revolution" would require profound transformations in state-society relations that respond to wider economic and political changes. No amount of technocratic rationalization can substitute for these changes. ■

MEXICO AND LATIN AMERICA: THE LIMITS OF COOPERATION

(Continued from page 124)

gena, Colombia, and issued a document, known as the Consensus of Cartagena. In that document, the Cartagena countries noted that both creditors and debtors were responsible for ameliorating the debt crisis; they reiterated their willingness to fulfill all their financial commitments; they demanded a "political dialogue" with the governments of the creditor nations; and they stressed the interrelated nature of the issues of debt, trade and international finance.

Some observers feared that the group might lead to a debtors' cartel that would eventually demand a collective moratorium on debt payments. From the very beginning, however, the Latin American governments associated with Cartagena espoused a case-by-case treatment of the debt problem.

Cartagena can best be understood if one examines the debt question in the region. Having a bigger debt problem in absolute terms does not necessarily mean

having greater power in the group. Smaller debtors may find it easier to behave like "free riders," and may even default, given the relatively minor impact of their actions on the international financial system. The Bolivian experience of the last few years (so scantily reviewed in United States journals), clearly points in that direction. Thus, the common interests between minor and major debtors may not be so clear as some observers believe. But even if one focuses on the most important debtors, Brazil and Mexico, it is not hard to see why at a given time one or the other may be more inclined to behave "responsibly," and why those roles may change.

The impact of changes in international oil prices on Brazil and Mexico may in fact help to explain the difficulties of harmonizing their perceptions of this issue over the last four years. At least in part as a result of such different conditions, the Mexican government has tended to see Cartagena as a forum in which common attitudes can be worked out and a degree of information exchanged rather than as an instrument for joint action.

FINAL CONSIDERATIONS

Given the mixed record of Mexico's relations with the rest of Latin America, a muted but real debate over the importance of Latin American relations has emerged. For some Mexican authorities and academics, in particular those who were deeply involved in the "golden years" of Latin American integration, the notion of Latin American unity is still very much the "article of faith" to which López Portillo referred. They interpret the limited results of increased economic cooperation not to "blind forces of the market," but rather to a lack of political will. At the other extreme, there are those who believe that the results do not justify the efforts already made. They regard increased interaction with the United States as unavoidable, and they may even think that resources spent linking Mexico with the rest of Latin America could be put to better use.

Perhaps an effort to identify areas of potential joint action, based on a commonality of interests, would be more constructive. Mexico's grain purchases, for example, do not have to be made in Iowa, when Argentina seems to complement Mexico in this regard. Perhaps arrangements that would involve some form of bartering would offset the price advantage held by United States grain producers. A pragmatic cost-benefit analysis could provide a powerful reason for Mexican-Argentine collaboration.

Such an exercise in identifying shared interests could be helpful in other ways. Trade-offs may be possible; Brazil, for example, might support Mexico on issues that (like the Central American crisis) may be marginal in the context of Brazil's diplomatic agenda (just as they are crucial for Mexico) in exchange for Mex-

ican support on issues that are important to Brazil. But all this can be achieved only after a candid identification, discussion and evaluation of those interests. Such pragmatic and mature policies may well help in dealing with the peoples and cultures that are closest to Mexico. ■

BOOK REVIEWS

(Continued from page 125)

mestizo peasants and the Indians; and, most important, an inability to improve the lot of the vast majority of the people, economically, educationally and socially. Riding also reviews Mexico's troubled and one-sided relationship with the United States.

M.M.A.

ON LATIN AMERICA

HIGHER EDUCATION AND THE STATE IN LATIN AMERICA: PRIVATE CHALLENGES TO PUBLIC DOMINANCE. By Daniel C. Levy. (Chicago: University of Chicago Press, 1986. 434 pages, notes, select bibliography, appendixes and index, \$27.50.)

Private higher educational systems in Latin America were almost nonexistent in the nineteenth century, and marginal in the first half of this century, but they have grown rapidly since 1955. Daniel Levy examines the origins of this growth, its meaning and consequences, as well as "who pays, who rules and whose interests are served." The pattern of private-public education in three countries is examined in depth: in Chile, Levy highlights the dynamics of the Catholic subsector; in Mexico, he highlights the dynamics of the secular elites subsector; and in Brazil, he illuminates demand-absorbing subsectors. A wealth of statistical information is included in this pioneering study.

M.M.A.

IMPULSE TO REVOLUTION IN LATIN AMERICA. By Jeffrey W. Barrett. (New York: Praeger Publishers, 1985. 357 pages and notes, \$37.95.)

This study focuses on cultural obstacles to modernization in Latin America. Barrett also discusses Latin American nationalism and anti-Western attitudes, and the potential for totalitarian solutions to the area's economic and political problems.

M.M.A.

LATIN AMERICAN VIEWS OF U.S. POLICY. Edited by Robert Wesson and Heraldo Muñoz. (New York: Praeger Publishers, 1986. 153 pages and notes, \$33.95.)

These essays by Latin American scholars critically evaluate United States policies in Latin America and recommend alternatives and changes. Heraldo Muñoz examines the policies of the Reagan

administration, identifying its contradictions and faults; Robert Bouzas evaluates the investment, trade and financing policies of the United States in Latin America from the Alliance for Progress to Reagan's Caribbean Basin Initiative. Alberto van Klaveren reviews the present crisis atmosphere of the inter-American political situation and suggests ideas for its recomposition; José Miguel Insulza analyzes United States policy toward Central America; Monica Hirst studies Washington's policies toward the regional powers of Brazil and Mexico; Carlos Moneta deals with United States policy toward Argentina; and Heraldo Muñoz and Carlos Portales analyze United States-Chilean relations.

M.M.A.

THE LATIN AMERICAN MILITARY INSTITUTION. *Edited by Robert Wesson.* (New York: Praeger Publishers, 1986. 223 pages, notes and index, \$37.95.)

This volume surveys the military forces of nine Latin American countries: Argentina, Brazil, Chile, Colombia, Guatemala, Mexico, Panama, Peru and Venezuela. It supplies information on the makeup of the ranks and officers, the military's origins and training, the career patterns of the officers, inter-service relationships, foreign influences, ideology and doctrine, and the political role of the armed forces in each nation. As the editor notes, the studies reveal that military organizations in Latin America resemble one another. The two military institutions surveyed that had been most unlike in the past—Mexico, with its armed forces coming out of revolutionary bands, and Panama, evolving from a police force—are beginning to fit the general pattern in Latin America. The armed forces function within a framework of elitist societies and reflect their attitudes. Without the need to defend their countries against foreign threats, the military officers have assumed the mission of defending the nation's institutions and its society; and, of course, they defend their own interests.

M.M.A.

ARGENTINA: ILLUSIONS AND REALITIES. *By Gary W. Wynia.* (New York: Holmes and Meier, 1986. 207 pages, notes and index, \$14.95, paper.)

Argentina's return to democratic government and the presidency of Raúl Alfonsín are the subjects of Wynia's history of current Argentina. Wynia shows how the ruling junta caused its own end with the pursuit of the Falklands War and its inability to take control of Argentina's economic tailspin. He offers a well-rounded analysis of Alfonsín's presidency through 1984. Wynia is optimistic that Argentina will continue democratic rule, although he cautions that Argentine political parties must circumscribe their "contumacy" so that democracy can continue to work.

W.W.F.

GUATEMALA: A NATION IN TURMOIL. *By Peter Calvert.* (Boulder, Colo.: Westview Press, 1986. 239 pages, notes, bibliography and index, \$28.00.)

A part of the Nations of Contemporary Latin America series, this profile of Guatemala deals with the geography, peoples, culture, social and political structures of the largest country in Central America. It provides a historical survey of Guatemala's development from colonial times to the revolution of 1944, which brought decades of caudillo rule to an end. Events leading up to United States intervention in 1954 are reviewed, and so is the political turmoil that followed, with repressive governments generating guerrilla opposition, cycles of terrorist attack, right-wing death squad retaliation, and widespread human rights abuses. Several chapters are devoted to the economy, the impact of the discovery of substantial oil deposits in the mid-1970's, various development policies, and Guatemala's relations with the United States and other nations of Central America, and its efforts to pursue its claim to Belize.

M.M.A.

CONQUEST AND SURVIVAL IN COLONIAL GUATEMALA: A HISTORICAL GEOGRAPHY OF THE CUCHUMATÁN HIGHLANDS, 1500–1821. *By W. George Lovell.* (Kingston and Montreal: McGill-Queen's University Press, 1985. 254 pages, illustrations, maps, notes, bibliography and index, \$30.00.)

This study of the land and the peoples of the Cuchumatán Highlands in Guatemala describes the area on the eve of the Spanish conquest, the resistance of the Indians, their military subjugation and the Spanish programs established to control and administer the area. Lovell outlines the servile relationship of the Indians to the Spaniards and the burdens the Spaniards imposed on the Indians. But he notes that Old World diseases—smallpox, plague and measles—rather than Spanish exploitation caused the decline and depopulation of the region. In the 160 years following the conquest the population of Guatemala declined by 90 percent. Not until 1950 did the Indian population in the area reach the preconquest level.

M.M.A.

THE SÃO PAULO LAW SCHOOL AND THE ANTI-VARGAS RESISTANCE (1938–1945). *By John W. F. Dulles.* (Austin: University of Texas Press, 1986. 262 pages, illustrations, notes and index, \$30.00.)

During the period of Vargas's Estado Novo, the São Paulo Law School was the most persistent voice of the resistance against the dictatorship. This study surveys the history of the oldest institution of higher learning in Brazil, its longtime leadership of political reform and its role in bringing down the Vargas regime.

M.M.A.

FACTORIES AND FOOD STAMPS: THE PUERTO RICO MODEL OF DEVELOPMENT. By *Richard Weisskoff*. (Baltimore: Johns Hopkins University Press, 1985. 190 pages, photographs, notes, bibliography and index, \$22.50.)

Weisskoff calls for a new political economy for Puerto Rico. He cautions that a steady 21 percent unemployment rate for the last five years and the emigration of Puerto Ricans to the United States on a scale unprecedented since the 1950's are warning signs of problems demanding prompt action. His study describes the Puerto Rican economy as bankrupt, dismembered and heavily dependent on United States welfare payments. He advocates an economic program that would replace food stamps with investment to stimulate the production of food for local consumption, and tax credits that would encourage companies to produce items needed by the local people.

M.M.A.

THE LAST FRONTIER: FIGHTING OVER LAND IN THE AMAZON. By *Sue Branford and Oriel Glock*. (London: Zed Press, 1985. [U.S. distributor: Totowa, N.J.: Biblio Distribution Center.] 336 pages, notes, tables, maps, illustrations, bibliography and index, \$30.95, cloth; \$12.95, paper.)

This is a study of the violent struggle in Brazil to control the land and development of the Amazon and the cost in human suffering and ecological devastation. The authors describe the desperate efforts of peasants and Indians to hold their plots of land against powerful and often ruthless corporate agriculture and mining interests. It explores the reasons for the federal government's disinterest in the plight of the peasants and Indians, its failure to devise a program and guidelines for the development of the region, and the reasons why the Catholic Church assumed the radical mission of organizing and uniting the peasants. Case studies of the experience of peasant communities are included. The authors' on-site accounts of events provide a vivid picture of a violent clash of interests. Sue Branford was a correspondent in Brazil for *The Financial Times*, *The Economist*, and *The Observer* from 1974 to 1979. Oriel Glock, who died before the book was completed, was a sociologist from Sussex University who carried out research on Brazilian agriculture.

M.M.A.

MISCELLANEOUS

ANTARCTICA: THE CONTINUING EXPERIMENT. By *Philip W. Quigg*. (New York: Foreign Policy Association, 1985. 62 pages, maps, reading list and illustrations, \$3.00, paper.)

In this Headline Series publication of the Foreign Policy Association, Philip Quigg deals with the

questions of the rights of nations to the natural resources of Antarctica, how valuable and accessible they are and how the continent can be governed to the satisfaction of all nations and be protected as a world preserve for scientific research. The text of the Antarctic Treaty of 1959 is included.

M.M.A.

THE LEFT IN CONTEMPORARY IRAN. By *Sepher Zabih*. (Stanford, Calif.: Hoover Institution Press, 1986. 239 pages, notes, appendix, bibliography and index, \$24.95.)

Iran's leftist and Communist parties have been crushed by the Islamic regime (the virtual elimination of the pro-Soviet Tudeh party was catalyzed by a United States Central Intelligence Agency leak to Iran based on a Soviet defector's interrogation). Zabih's monograph charts the history of the major leftist groups in Iran, their role in the overthrow of the Shah, and their break with and opposition to the Ayatollah Khomeini's rule. Zabih points out that the elimination of the Tudeh party has not stopped the Soviet Union's efforts to improve ties with Iran.

W.W.F.

CALCULATED KINDNESS: REFUGEES AND AMERICA'S HALF-OPEN DOOR, 1945-PRESENT. By *Gil Loescher and John A. Scanlon*. (New York: The Free Press, 1986. 346 pages, notes, bibliography and index, \$22.50.)

This analysis of the conflict between humanitarian and political impulses that has governed American refugee policies since 1945 makes it clear that the current conflict over the admission of Central Americans who seek asylum in the United States is only the latest chapter in the ongoing conflict of policies that lead our government to turn away many of those refugees seeking political asylum.

As the authors point out, "Since 1945, more than 2 million aliens have entered the United States outside of regular immigration channels. . . . Included have been more than 800,000 Cubans, 700,000 Indochinese, and at least a half-million Central and Eastern Europeans." Nonetheless, it should not be forgotten that "for each statistic of welcome, there is another of exclusion, for each example of the open door, there is another of the door banging shut." The policies of welcome and exclusion that make our refugee policy are dictated in large measure by the cold war fought by the United States against the Communist nations and to a lesser degree by humanitarianism.

Thus, the door is open for those fleeing from communism: "Generosity has been real but it has also been selective." A careful reading of the history of American policy toward those seeking asylum indicates that the policies of the Reagan adminis-

tration are squarely in line with refugee policies followed by the United States ever since 1945, when President Franklin Roosevelt decided to limit the number of European Jews wanting to flee to the United States from Hitler's Reich, partly because he feared that an influx of Jewish refugees might add to American anti-Semitism.

"In the four decades since the end of World War II," write these specialists, "American immigration policies have become notably less racist and more humane." Yet the United States still follows a "politics of limits," and ideological considerations still govern refugee policy. Thus the sanctuary movement, which seeks to provide asylum to migrants from Central America, is regarded by the United States government as an illegal movement, defying federal authority, because the government maintains that those fleeing El Salvador, Guatemala and other right-wing governments are not entitled to refugee status. "Pursuing policies forged in the crucible of the cold war, the United States has grown accustomed to regarding only the opponents of Communism as deserving of rescue."

Gil Loescher and John Scanlon have clarified America's half-open door policy, and in doing so they sharpen the reader's understanding of the limits on America's open door. O.E.S.

AMERICAN PUBLIC OPINION TOWARD ISRAEL AND THE ARAB-ISRAELI CONFLICT. By Eytan Gilboa. (Lexington, Mass.: D. C. Heath, 1987. 366 pages, appendixes, notes, selected bibliography and index, \$34.00.)

Relying on American public opinion polls from the founding of Israel in 1948 to the present, this author traces the evolution of American public opinion toward Israel during the last 40 years. As the author notes in his introduction, "Public opinion is a very complex phenomenon; the exact processes and variables that mold it are not yet adequately understood." Whether or not the exhaustive use of poll results provides a definitive description of public opinion during this period, it helps to describe the changing American views of Israel and the Arab-Israeli conflict. O.E.S.

ISLAM ASSEMBLED. THE ADVENT OF THE MUSLIM CONGRESSES. By Martin Kramer. (New York: Columbia University Press, 1986. 250 pages, notes, appendixes, bibliography and index, \$30.00.)

MUSLIM EXTREMISM IN EGYPT: THE PROPHET AND PHARAOH. By Gilles Kepel. Translated from the French by Jon Rothschild. (Berkeley: University of California Press, 1986. 281 pages, sources, chronology and index, \$18.95.)

Americans concerned with the spread of fanatical and extreme forms of Islam are becoming more

interested in descriptions and analyses of its origins and causes. *Islam Assembled* attempts a "cosmopolitan appraisal" of some of the factors involved in what the author terms "the unifying potential" of Muslim reaction to Western expansion. Because of this expansion, several efforts were made in the nineteenth and twentieth centuries to assemble Muslim congresses that would unify Muslims to face the Western challenge and to become politically active. This study adds to the information Western scholars need to evaluate the challenges posed by modern fundamentalist Islam.

Muslim Extremism in Egypt is a scholarly analysis of extremist Muslim movements in Egypt today. Kepel analyzes the origins of the Muslim Brotherhood in 1928, which he sees as a prototype of current movements. He evaluates the anti-Western attitudes of the Islamicist movement and the many strands that have led to a virulent "anti-Semitism." The blending of the religious with the political is intrinsic to fundamentalist Muslim societies. In Egypt, according to this scholar, "the regime . . . is walking a narrow line," because it ignores the power of the Islamicist movement. O.E.S.

PRESIDENTS' SECRET WARS: CIA AND PENTAGON COVERT OPERATIONS SINCE WORLD-WAR II. By John Prados. (New York: William Morrow, 1986. 480 pages, notes, bibliography and index, \$22.95.)

The revelation of the Reagan administration's bungled covert operations in Nicaragua and in Iran makes this an especially timely book. Prados reviews the last 40 years of CIA covert activity only to find that a President's pursuit of the national interest through covert operations has actually "contributed little to American national security." The bulk of the book describes CIA operations since the CIA's first attempts at covert actions—the 1949 plan to destabilize the Communist government of Albania and CIA cooperation with anti-Soviet resistance groups in the Balkans and the Ukraine throughout the early 1950's. Some of the operations Prados covers are well known (the installation of the Shah of Iran, the Bay of Pigs invasion), whereas others, like the Albanian and anti-Soviet campaigns, have received little coverage.

Prados finds that covert operations have usually been loosely coordinated with the administrative branch and that the congressional oversight of covert activities has not been adequate; in a prescient remark (the book was published before the Iran-contra arms deal), Prados argues for renewed congressional focus on covert paramilitary operations because "another Bay of Pigs is but a matter of time, and constitutional issues do not disappear overnight." W.W.F. ■

THE MONTH IN REVIEW

A Current History chronology covering the most important events of January, 1987, to provide a day-by-day summary of world affairs.

INTERNATIONAL

Arms Control

(See also *U.S., Foreign Policy*)

Jan. 15—Arms control negotiations between the U.S. and the Soviet Union resume in Geneva.

European Economic Community (EEC)

(See also *U.S., Foreign Policy*)

Jan. 11—The members of the European Monetary System (EMS) agree that West Germany, the Netherlands and Belgium should increase the value of their currencies against other EMS currencies in an attempt to encourage trade and end recent fluctuations in the currencies.

Jan. 29—A 4-year agreement is reached with the U.S. that averts increased tariffs on trade in agricultural products between the U.S. and the EEC. The agreement still has to be ratified by the EEC ministers.

General Agreement on Tariffs and Trade (GATT)

Jan. 29—Meeting in Geneva, representatives to GATT agree to begin new trade talks in February that are to lead to new, liberalized trading in 11 categories, including agriculture and services.

Iran-Iraq War

Jan. 12—Iraq says that its forces have stopped a major 4-day Iranian offensive into Iraq and that Iraqi troops have forced the Iranian troops out of Iraq's border region; Iran says its troops have withstood the counterattacks and remain in Iraq.

Jan. 18—Iran says that its troops have advanced to within 400 yards of an Iraqi oil refinery near the city of Basra; the government says that Iraqi planes have staged air raids on several Iranian cities in the last 2 days.

Jan. 22—The Iranian government says Iraqi air raids on 10 Iranian cities have caused 800 civilian casualties.

Jan. 28—Iraq refuses to consider Iran's offer that each country stop bombing the other's cities.

Islamic Conference Organization

Jan. 28—The conference ends a 2-day summit meeting in Kuwait; the heads of state issue their usual plea for an end to the Iran-Iraq war.

Organization of Petroleum Exporting Countries (OPEC)

(See *U.S.S.R.*)

United Nations (UN)

(See also *Lebanon*)

Jan. 21—Secretary General Javier Pérez de Cuéllar says that he was unsuccessful in his recent 2-day trip to persuade the Central American nations to work toward a peaceful solution to guerrilla wars in the region.

AFGHANISTAN

Jan. 5—Soviet Foreign Minister Eduard Shevardnadze arrives in Kabul to hold talks with Najibullah, the head of state.

Jan. 18—Najibullah denounces the refusal of Afghan guerrillas to honor a cease-fire declared by the government on January 15.

ARGENTINA

Jan. 26—The General Labor Confederation stages a 24-hour strike that shuts down most offices, shops and public transportation in Buenos Aires; the strike was called to protest President Raúl Alfonsín's economic policies.

BRUNEI

(See *U.S., Political Scandal*)

CANADA

Jan. 21—Prime Minister Brian Mulroney complains to visiting U.S. Vice President George Bush that the U.S. is not making adequate efforts to stop acid rain pollution; he also faults U.S. protectionist measures taken against Canadian products.

CHAD

Jan. 4—Government officials report that today Libyan planes bombed government troop positions in Arada, which is south of an "interdiction line" established by France in 1983.

Jan. 5—Libyan head of state Muammar Qaddafi confirms that Libyan troops are operating inside Chad.

Jan. 7—French jets bomb Libyan positions in northern Chad; the French government says the bombing is a retaliation for the Libyan bombing of southern Chad.

CHILE

Jan. 15—The military government of General Augusto Pinochet approves a law allowing the formation of political parties; the law, which excludes Marxist-type parties, will allow parties to operate for the 1st time since 1973.

CHINA

(See also *U.S., Foreign Policy; Vietnam; Zimbabwe*)

Jan. 1—In Beijing, thousands of college students demonstrate at Tien An Men Square; the students, who sing the "Internationale," call for democracy and freedom in China.

Jan. 4—Illegal wall posters calling for democracy are posted at Beijing University.

Jan. 12—*The South China Post* reports that on January 2, Chinese leader Deng Xiaoping issued an order, known as directive No. 1, that required an end to student demonstrations; "We can afford to shed some blood" to stop the protests, Deng is reported to have written, "just try as much as possible not to kill anyone."

Jan. 16—The Politburo of the Communist party's Central Committee dismisses party General Secretary Hu Yaobang because of "mistakes on major issues of political principles"; Prime Minister Zhao Ziyang is appointed acting General Secretary.

Jan. 18—Zhao says fears of political instability in China because of Hu's demotion are "unwarranted."

Jan. 19—The Communist party expels Fang Lizhi from the party; Fang was removed as vice president of the University of Science and Technology in Hefei 1 week ago on charges of advocating democracy and free expression.

Jan. 22—The Standing Committee of the National People's Congress removes the president and vice president of China's Academy of Sciences; the removals are connected with the

crackdown on "liberal" thought after last month's student demonstrations for democracy.

Jan. 24—It is reported that Liu Binyan, a well-known journalist, has been expelled from the Communist party.

Jan. 25—The New China News Agency announces that a university student, Lin Jie, has been arrested for giving "secret" information to Lawrence MacDonald, an American reporter working for the Agence France-Presse in Beijing.

Jan. 26—MacDonald is ordered to leave the country because he has received "intelligence" from Lin.

Jan. 29—In a nationally televised speech, Prime Minister Zhao says further limits on dissent will be applied only to a "limited number" of people within the party itself; he says the government will not repeat the "leftist" excesses of the past and that the economic liberalization program will continue.

ECUADOR

Jan. 16—President León Febres Cordero is released by rebellious soldiers after his abduction this morning; the soldiers, who took control of the air force base near Guayaquil, demanded the release of air force General Frank Vargas Pazzos, who has been imprisoned for leading 2 rebellions last year.

Jan. 17—Febres Cordero says he was beaten and kicked during his detention; he says 2 of his security guards were killed during the abduction.

Jan. 18—It is reported that General Vargas has gone into hiding.

Jan. 22—Febres Cordero rejects Congress's formal request that he resign.

EL SALVADOR

Jan. 17—The 7-year state of siege, which gave the government wide latitude to censor the press and ban public meetings, is allowed to expire after the National Assembly refuses to renew the restrictions; Assembly members have been on strike for the last 12 days to protest economic austerity measures imposed by President José Napoleón Duarte.

FINLAND

Jan. 6—Soviet Prime Minister Nikolai Ryzhkov arrives in Helsinki to discuss a Soviet-Finnish trade agreement and an early warning agreement in the case of a nuclear power plant emergency.

FRANCE

(See also *Chad*)

Jan. 19—Train workers return to work after a 3-week strike for higher wages; postal and electrical workers, who had struck in solidarity with the train workers, also return to work.

GERMANY, EAST

Jan. 5—The Foreign Ministry denies reports by West German Chancellor Helmut Kohl that East Germany holds over 2,000 political prisoners.

GERMANY, WEST

(See also *Lebanon; U.S., Foreign Policy*)

Jan. 14—The government releases its annual economic report; the German gross national product grew by 2.5 percent in 1986.

Jan. 15—The Interior Ministry reports the arrest of a 22-year-old Lebanese man for trying to pass through customs with a liquid explosive; Mohammed Ali Hamadei is thought to belong to the radical Shiite Party of God and is believed

to have been 1 of the hijackers of a U.S. TWA airliner in 1985. An American sailor was killed in the hijacking.

Jan. 20—The government says it has received information that a West German citizen kidnapped on January 17 in Beirut was seized because of the possibility that Germany may decide to extradite Hamadei to the U.S.

Jan. 25—Chancellor Helmut Kohl's ruling Christian Democratic-Christian Social Union (CDU/CSU) is returned to power in today's elections, winning 223 seats in the 497-seat Parliament; however, the CDU/CSU receives its lowest number of votes in any election since 1949. The CDU's coalition partner, the Free Democratic party, increases its voter strength, winning 46 seats in Parliament; so does the Green party, which wins 42 seats. The opposition Social Democratic party fares poorly, receiving a lower popular vote total than it did in the last election and winning 186 seats in Parliament.

Jan. 27—Police in Frankfurt arrest Hamadei's brother after he arrives on a plane from Switzerland; the brother is thought to belong to the Party of God.

Jan. 29—The government announces that Germany's 1986 trade surplus was 50 percent larger than its 1985 trade surplus.

GREECE

Jan. 15—A 24-hour strike closes down most transportation and restricts production at most factories; the strike was called by the 2 leading labor federations to protest economic austerity measures imposed by Prime Minister Andreas Papandreou.

INDIA

Jan. 20—Prime Minister Rajiv Gandhi says he will reimpose direct central government rule for the Punjab if Sikh terrorism continues in that state; Gandhi accuses Pakistan of helping to foment the Sikh rebellion in Punjab.

Jan. 21—About 2 million workers strike state-run factories, mines and airlines to protest Prime Minister Gandhi's economic policies.

Jan. 24—The government says that it will not attack Pakistan and wants to hold talks with Pakistan in order to defuse tensions on the Indian-Pakistani border; yesterday India announced that it had put its army on full alert in response to a Pakistani military buildup on the border.

Jan. 31—India's and Pakistan's foreign ministers meet in New Delhi to discuss the troop buildups on their borders.

INDONESIA

Jan. 6—President Suharto announces new economic austerity measures, including the freezing of military and government salaries, in response to falling Indonesian oil sales.

IRAN

(See also *Intl, Iran-Iraq War; Israel; U.S., Foreign Policy, Political Scandal*)

Jan. 28—Speaker of the Parliament Hojatolislam Hashemi Rafsanjani says "the people of Lebanon are so ignored and so oppressed that they have no other defense for themselves" except to take foreigners hostage in order to bargain with outside powers. Rafsanjani also displays a Bible signed by U.S. President Ronald Reagan that was given to him by national security adviser Robert McFarlane during his secret May, 1986, trip to Iran.

IRAQ

(See also *Intl, Iran-Iraq War*)

Jan. 17—First Deputy Prime Minister Taha Yassin Ramadan says that altered and misleading or incomplete intel-

ligence data provided by the U.S. contributed to the defeat of Iraqi forces at Fao last year; it was reported last month that the U.S. provided altered intelligence data to both Iran and Iraq.

IRELAND

Jan. 20—The Cabinet of Prime Minister Garret FitzGerald collapses after 4 Labour party ministers resign to protest a Cabinet vote to cut social spending; FitzGerald calls for general elections on February 17.

ISRAEL

(See also *Lebanon; U.S., Political Scandal*)

Jan. 4—Prime Minister Yitzhak Shamir accepts the resignation of Interior Minister Yitzhak Perez; Perez resigned because he refused to recognize an American convert to Judaism as a Jew.

Jan. 11—Prime Minister Shamir and Foreign Minister Shimon Peres deny that Israel initiated the sale of U.S. arms to Iran; secret Reagan administration documents released yesterday claim that an aide to then Prime Minister Peres offered the plan to contact the Iranians. Both men say Israel was first approached by the U.S. about opening relations with "moderates" in Iran and selling U.S. arms to Iran as a means of cementing the new relationship.

JAPAN

(See also *U.S., Economy, Foreign Policy*)

Jan. 16—The government reports that Japan's trade surplus with the U.S. in 1986 was \$51.5 billion, a 30 percent increase over 1985's trade surplus.

Jan. 17—Prime Minister Yasuhiro Nakasone arrives home after a week-long trip to Finland, East Germany, Yugoslavia and Poland.

Jan. 22—Finance Minister Kiichi Miyazawa leaves Washington, D.C., after holding talks with U.S. Treasury Secretary James Baker 3d on the falling value of the U.S. dollar and its effect on the yen and Japan's economy.

Jan. 23—Prime Minister Nakasone's Cabinet votes to end its decade-long policy of not spending more than 1 percent of Japan's gross national product (GNP) on defense; the government breached the cap last month when it approved a defense budget that was 1.004 percent of GNP.

Jan. 27—Minister of International Trade and Industry Jihime Tamura says that Japan's automakers will voluntarily curb their car exports to the U.S. for a 7th successive year.

Jan. 30—The Finance Ministry says that Japan's 1986 trade surplus was \$86 billion.

JORDAN

(See *U.S., Foreign Policy*)

KOREA, SOUTH

Jan. 20—President Chun Doo Hwan dismisses Interior Minister Kim Chong Hoh and National Police Chief Kang Min Chang because of charges that on January 14, the police tortured to death Park Chong Chol, a student demonstrator arrested by the police.

Jan. 24—Two police officers are formally charged with torturing Park to death.

Jan. 26—Three demonstrations are held in Seoul to protest Park's torture death.

The National Assembly meets in a special session to discuss Park's death.

LEBANON

(See also *Germany, West; Iran; U.S., Foreign Policy*)

Jan. 7—Former President Camille Chamoun survives an assassination attempt that kills 4 people traveling with

him in East Beirut; no group takes responsibility for the attack.

Jan. 11—An Irish soldier serving with the United Nations peacekeeping force in southern Lebanon is killed by Israeli tank fire.

Jan. 13—A French photographer covering the hostage negotiations undertaken by Anglican Church special envoy Terry Waite is kidnapped.

In their 4th attack in 10 days, Israeli planes bomb a suspected Palestinian guerrilla base in the Bekaa Valley; 3 people are reported killed.

Jan. 17—A West German businessman is kidnapped in West Beirut.

Jan. 21—A 2d West German is kidnapped in Beirut.

Jan. 24—Unknown gunmen abduct 3 Americans and 1 Indian from the Beirut University College in Beirut; all 4 teach at the college.

Jan. 26—Two more men are abducted in Beirut; witnesses say the men were speaking in broken English when they were dragged away by gunmen.

Jan. 28—The previously unheard of Islamic Holy War for the Liberation of Palestine takes responsibility for the January 24 abductions from the Beirut University College in Beirut.

Jan. 29—The Islamic Holy War for the Liberation of Palestine holding the 3 American teachers says it will kill them if U.S. forces attack Lebanon in retaliation for the abductions.

Two U.S. aircraft carrier battle groups take up stations in the eastern Mediterranean.

Jan. 31—The Islamic Holy War group says it will kill its 4 hostages within a week if Israel does not release 400 Arab prisoners it is holding in Israel.

LIBERIA

(See *U.S., Foreign Policy*)

LIBYA

(See *Chad; U.S., Foreign Policy*)

MEXICO

Jan. 7—The government reports that in the 1st 8 months of 1986, Mexican oil sales fell 60 percent below 1985 levels.

Jan. 29—In Mexico City, students at the National Autonomous University, the largest university in Latin America, with more than 300,000 students, go on strike to protest a government plan to increase tuition and impose more stringent academic standards.

NICARAGUA

(See also *U.S., Foreign Policy, Political Scandal*)

Jan. 9—The government announces the signing of a new constitution, but immediately suspends many of the document's provisions under the state of emergency; many opposition groups oppose the constitution and will not sign it because it has the approval of the government.

Jan. 18—Friends and relatives of Miguel Cardinal Obando y Bravo, the archbishop of Nicaragua, report that the Cardinal was tied up and beaten yesterday while visiting relatives in Miami, Florida.

PAKISTAN

(See also *India*)

Jan. 22—The government says that Foreign Minister Sahabzada Yaqub Khan will leave for the Soviet Union in February to hold talks on the withdrawal of the more than 100,000 Soviet troops in Afghanistan.

PHILIPPINES(See also *U.S., Foreign Policy*)

Jan. 3—Former Defense Minister Juan Ponce Enrile calls President Corazon Aquino's government a dictatorship; he says Filipinos should reject the draft constitution in the plebiscite scheduled for February 2.

In negotiations with the government, the Moro National Liberation Front says it wants only autonomy, not independence, for Mindanao and 4 other small islands; the Muslim guerrilla group is not associated with the Communist New People's Army.

Jan. 11—About 30,000 leftists march through Manila to protest the draft constitution; 2,000 supporters of deposed President Ferdinand Marcos also protest the proposed constitution.

Jan. 12—Aquino's government closes a pro-Marcos newspaper and orders the cancellation of a television show that was to include an interview with former Defense Minister Enrile.

Jan. 14—The government says local elections will be held on August 24.

Jan. 22—Soldiers and police fire on a crowd of about 15,000 peasants and leftists protesting Aquino's land policy; 12 protesters are killed and 94 are wounded. The authorities began firing after being pelted with rocks.

Jan. 23—Armed Forces Chief of Staff Fidel Ramos says army troops "overreacted" yesterday.

Jan. 26—About 15,000 leftists march without incident past the site of the January 22 killings; Aquino ordered military and police units to be withdrawn to allow the march in protest of the killings.

Jan. 27—Armed Forces Chief of Staff Ramos says that the military has defeated an attempted coup by dissident soldiers; however, rebelling troops have taken control of a private television and radio station.

Jan. 28—The rebel troops surrender the television station peacefully.

POLAND(See also *U.S., Foreign Policy*)

Jan. 13—General Wojciech Jaruzelski, the head of state, meets Pope John Paul II at the Vatican to discuss relations between the Catholic Church and the Polish state.

SAUDI ARABIA(See *U.S., Political Scandal*)**SENEGAL**(See *U.S., Foreign Policy*)**SOUTH AFRICA**(See also *U.S., Foreign Policy*)

Jan. 7—Black students throughout South Africa return to classes at the start of the academic year, ending a school boycott that began last year.

Jan. 13—The government detains Mohamed Valli, the acting general secretary of the United Democratic Front (UDF), South Africa's largest antiapartheid group. UDF general secretary Popo Molefe was arrested and charged with treason in 1985.

Jan. 21—Alan Hendrickse, the head of the mixed-race Labor party, which holds seats in a segregated chamber of Parliament, publicly apologizes to President P.W. Botha for swimming at a "whites only" beach; Hendrickse apologized after Botha indicated that he might dissolve Parliament because of Hendrickse's civil disobedience.

Jan. 25—Black rights activist Winnie Mandela is released after being detained several hours on unspecified charges.

Jan. 29—The Supreme Court strikes down government restrictions banning favorable reports or advertisements of outlawed organizations or individuals.

Jan. 30—Reacting to the court ruling, the government authorizes the national police commissioner to prohibit the publication or broadcast of any material he chooses.

President Botha announces that elections for the white chamber of Parliament will be held on May 6.

SPAIN(See also *U.S., Foreign Policy*)

Jan. 30—The government says it suspects Basque terrorists of setting off a bomb on a military bus today; 2 people are killed.

SRI LANKA

Jan. 1—Tamil separatist guerrillas announce that they have taken over the administration of the city of Jaffna; the city is on the northern tip of Sri Lanka in the homeland area the Tamils have been fighting to free from Sri Lanka.

U.S.S.R.(See also *Intl, Arms Control; Afghanistan; Finland; Pakistan; U.S., Foreign Policy, Military*)

Jan. 5—Prime Minister Nikolai Ryzhkov says the Soviet Union will launch the satellites of foreign firms without requiring the inspection of the satellites by Soviet customs officials.

In an interview with *The New York Times*, Yuri Kisenko, a member of the Soviet Ministry of Foreign Trade, says that the Soviet Union's new joint venture laws will allow outside companies to operate "tax free" for several years with complete independence from the government's central planning mechanism.

Jan. 6—Interior Minister Alexander Vlasov reports that in the last 2 years there has been an 18-fold increase in the number of drug addicts in the Soviet Union.

Jan. 8—The Communist party newspaper *Pravda* reports that KGB director Viktor Chebrikov ordered the disciplining of several top KGB officials who illegally arrested a Soviet reporter covering government corruption in the Ukraine.

Jan. 22—The Foreign Ministry announces that the Soviet Union will cut back on its oil production in order to help the Organization of Petroleum Exporting Countries (OPEC) raise world oil prices.

Jan. 24—Tass, the official press agency, reports that General Secretary Mikhail Gorbachev criticized the Soviet Union's agricultural production on January 23; Gorbachev said the farm economy must be modernized quickly; "we have been stalled since 1972."

Jan. 27—At a plenary meeting of the Communist party's Central Committee, Gorbachev calls for the election of party officials by secret ballot at the local, provincial and republic levels; he says the party is responsible for the economic stagnation of the last 2 decades and he declares that the election changes he is advocating will introduce reform into the party.

Jan. 28—The Central Committee plenum ends; Dinmukhamed Kunayev, removed as head of the party in Kazakhstan last month, has been removed from the Politburo.

Jan. 30—Andrei Sakharov, the Nobel Peace Prize winner and physicist, reports that the government will release 2 prominent dissidents if they agree to leave the Soviet Union; the 2 are among the 14 prisoners Sakharov has asked Gorbachev to release.

UNITED STATES

Administration

Jan. 3—President Ronald Reagan signs the budget for fiscal 1988, which he will send to Congress on January 5.

The Department of Education issues a 111-page study, *Japanese Education Today*, that links Japanese economic success to the "hard work" and the efficiency of Japanese primary and secondary schools.

A yearlong celebration of the 200th anniversary of the Constitution begins with a celebration in Philadelphia.

Jan. 4—President Reagan undergoes a routine colonoscopy at Bethesda Naval Hospital; 4 minute, benign polyps are removed.

A northbound Amtrak train rams 3 Conrail freight engines some 7 miles north of Baltimore; at least 8 persons are killed and 160 are injured.

Jan. 5—President Reagan sends his \$1.02-trillion budget for fiscal 1988 to Congress; there is no rise in taxes; the budget predicts a 3.2 percent growth in the economy and calls for \$312 billion in military spending (a 3 percent increase after inflation); it cuts domestic programs to keep the deficit at a projected \$107.8 billion.

The death toll in the Amtrak train wreck now totals 15 persons.

President Reagan is recuperating at Bethesda Naval Hospital from "very routine" surgery for an enlarged prostate gland; no evidence of cancer is found.

President Reagan approves pay raises for government officials and members of Congress in addition to the 3 percent pay increase all federal employees received starting January 4.

Jan. 6—At Bethesda Naval Hospital, President Reagan undergoes a CAT scan that shows that the cancer removed from his colon in 1985 has not spread.

Georgetown University Hospital reports that Central Intelligence Agency (CIA) director William Casey is unable to speak clearly or control the right side of his body; Casey underwent brain surgery on December 18.

Jan. 8—President Reagan returns to the White House after surgery; he says, "I feel great."

Jan. 16—Federal Communications Commission (FCC) chairman Mark Fowler announces his resignation after 5 years.

Jan. 20—The Immigration and Naturalization Service announces new regulations under which all new employees' citizenship status must be verified within 24 hours of employment; the order includes both Americans and aliens.

Jan. 21—Director of the Department of Labor's Office of Federal Contract Compliance Joseph Cooper resigns to protest the actions of some Reagan administration officials who only "pay lip service" to the enforcement of antidiscrimination laws.

Jan. 23—The U.S. Transportation Department fines Arizona a minimum \$510,000, 1 percent of the noninterstate federal highway funds due the state, because of Arizona's faulty enforcement of highway speed laws in 1984.

Jan. 27—President Reagan gives his State of the Union address to Congress and the nation. He says his "one major regret" is the failure to negotiate the release of the American hostages in Beirut; he further says that "serious mistakes were made" in the Iran dealings and that he "assumes full responsibility" for the whole affair. He proposes a program for catastrophic illness insurance and a new "welfare strategy." He calls for a new congressional budget process, presidential line-item veto power and a larger military budget.

Jan. 29—The National Science Foundation announces grants of \$6.6 million to 3 institutions that will work with pub-

lishers to develop new methods for textbooks and the teaching of science in the nation's elementary schools; this is part of a 10-year program that will cost \$25 million.

Jan. 30—Secretary of Energy John Herrington announces that the administration will propose to Congress a research program to start immediate funding of a \$6-billion atom smasher; the superconducting supercollider would be housed in a 52-mile oval tunnel and would accelerate atomic particles to a speed 20 times greater than existing devices.

Jan. 31—Chief presidential political adviser Mitchell Daniels Jr. resigns to become chief operating officer of the Hudson Institute, a research institution.

Civil Rights

Jan. 24—Some 10,000 civil rights demonstrators take part in a march in Cummings, Georgia, protected from Ku Klux Klansmen and their sympathizers by 2,300 National Guardsmen and police. A Klan-inspired group broke up an earlier march by civil rights activists.

Economy

(See also *Foreign Policy*)

Jan. 4—The Federal Deposit Insurance Corporation reports that it closed 138 banks in 1986, a 20 percent increase over 1985.

Jan. 7—U.S. domestic automobile sales totaled 16.3 million new units in 1986, a new high.

Jan. 9—The Labor Department reports that in December the nation's unemployment rate fell to 6.6 percent, the lowest figure in 6 years.

The Labor Department reports that its producer price index remained unchanged in December; it declined 2.5 percent in the year 1986.

Jan. 15—Volume on the New York Stock Exchange reaches a record 253.1 million shares traded.

Jan. 18—The dollar trades at a new low of 149.98 yen in early trading in Tokyo.

Jan. 19—Japanese Finance Minister Kiichi Miyazawa arrives in Washington, D.C., for consultations about the decline of the dollar in relation to the Japanese yen.

Jan. 20—The New York Stock Exchange's Dow Jones Industrial Average of 30 blue chip stocks reaches a record high of 2,104.47 after 13 successive days of record highs.

Jan. 21—The Labor Department reports that its consumer price index rose 0.2 percent in December and that there was a 1.1 percent rise in the index in 1986.

After a brief 2½ hour meeting in Washington, D.C., about the decline of the dollar against the Japanese yen, Treasury Secretary James Baker 3d and Japanese Finance Minister Kiichi Miyazawa agree that the currency market "warrants monitoring"; no other action is taken.

Jan. 22—The New York Stock Exchange's Dow Jones Industrial Average of 30 blue chip stocks posts a record gain of 51.60 to close at 2,145.67.

The Commerce Department reports that the gross national product (GNP) grew at a 1.7 percent annual rate in the last quarter of 1986 and at a 2.5 percent rate for the year 1986.

Jan. 23—The New York Stock Exchange sets a trading record of 302.4 million shares sold; the Dow Jones Industrial Average rose 64 points, then fell 115 points in 71 minutes to close at 2,101.52.

Jan. 28—The Dow Jones Industrial Average jumps to a new record close of 2,163.39.

Jan. 30—The Commerce Department reports that the U.S. foreign trade deficit declined to \$10.6 billion in December; the deficit was \$169.7 billion for all of 1986.

Foreign Policy

(See also *Intl, Arms Control, EEC; Canada; Germany, West; Iran; Iraq; Israel; Japan; Lebanon; U.S., Economy, Political Scandal*)

Jan. 6—The Defense Department announces that China is buying \$62 million in U.S. military radars and radio equipment.

Jan. 7—Special presidential envoy Richard Murphy meets in Amman, Jordan, with Jordan's King Hussein.

Jan. 8—Arriving in Dakar, Senegal, on the 1st leg of an 8-day, 6-nation African trip, Secretary of State George Shultz calls on African nations to move from socialism toward a free market economy.

Assistant Secretary of State for Inter-American Affairs Elliott Abrams predicts that Nicaragua's Sandinista government "will not survive," if the U.S. continues to supply military aid to the Nicaraguan contras.

Jan. 12—President Reagan appoints chief U.S. arms negotiator to the Geneva arms talks Max Kampelman as counselor to the State Department.

Jan. 14—Secretary Shultz ends his 6-nation African trip in Liberia; he says that Liberia "must make changes in its economic policy."

Jan. 15—U.S. and Soviet negotiators resume arms control talks in Geneva.

Jan. 18—The Justice Department announces it will not demand the death penalty for hijacking suspect Mohammed Ali Hamadei; this will apparently permit his extradition to the U.S. to stand trial for his part in the hijacking of a TWA airliner in 1985 in which U.S. Navy diver Robert Stethem was killed. West German law forbids extradition to a country that might sentence a defendant to death.

Jan. 20—The Justice Department files a formal request with West Germany for Hamadei's extradition.

Jan. 26—President Reagan says that the 3 U.S. citizens kidnapped Saturday in Beirut ignored official warnings of danger and remained there "at their own risk and on their own responsibility." He says there is "total anarchy" in Beirut and there is "a limit to what our government can do for Americans. . . ."

The Nicaraguan embassy in Washington, D.C., announces that on January 28, its government will release American Sam Hall for "medical treatment not available in Nicaragua." Hall was arrested on espionage charges last month in Nicaragua.

Jan. 27—The Defense Department orders 5 U.S. Navy combat ships to move nearer the head of the Persian Gulf and orders the aircraft carrier *U.S.S. John F. Kennedy* to remain in the Mediterranean Sea on an indefinite basis.

Jan. 28—The State Department bans all travel with U.S. passports in Lebanon; Americans are given 30 days to leave the country after which time their passports will no longer be valid.

Secretary Shultz meets in Washington, D.C., with head of the African National Congress Oliver Tambo, whose party is banned in South Africa; Tambo urges the U.S. to broaden its sanctions against South Africa.

Jan. 29—Shultz says that Iran has "very strong ties" to the group in Beirut claiming responsibility for the recent kidnapping of 3 Americans.

Concluding 3 days of negotiations, the U.S. and the European Economic Community (EEC) reach an agreement compensating the U.S. for agricultural and industrial losses brought about when Spain became an EEC member a year ago and levied tariffs on U.S. products; the U.S. had threatened to retaliate by placing tariffs of 200 percent on some European luxury items and wines.

The State Department says it denied former Philippine President Ferdinand Marcos permission to leave Hawaii

and return to the Philippines; Marcos had chartered a jet plane to stand by in Honolulu to take him back in the event that his supporters succeeded in their coup attempt tonight.

Jan. 30—President Reagan selects Jack F. Matlock Jr. as ambassador to the Soviet Union, succeeding Arthur A. Hartman.

Administration officials report their belief that Anglican envoy Terry Waite has been taken captive and is being held by terrorists in Lebanon.

Jan. 31—After 3 days of talks in Poland, Deputy Secretary of State John Whitehead says that the U.S. and Poland "are clearly on a course of improving our relations."

Labor and Industry

(See also *Legislation*)

Jan. 30—Workers on the Long Island Rail Road resume work and trains begin operations.

Legislation

Jan. 2—The Congressional Budget Office estimates that the budget deficit for fiscal 1987 will be \$174.5 billion and that the deficit will total \$169.2 billion in fiscal 1988; these estimates are considerably higher than those projected by the administration. The office also predicts a growth of about 3 percent in the economy in both years.

Jan. 6—The 100th Congress begins its 1st session.

Jan. 8—In a 406-8 vote, the House passes the Water Quality Act, which is identical to the Clean Water Act President Reagan vetoed last year.

Jan. 20—Rejecting a committee vote, in a secret ballot Senate Republicans adhere to the seniority system and vote 24 to 17 to approve Jesse Helms (R., N.C.) as ranking minority member of the Senate Foreign Relations Committee; the Republican members of the committee previously voted unanimously to approve Senator Richard Lugar (R., Ind.) as the ranking minority member of the Democrat-controlled committee.

Jan. 21—The Senate votes 82 to 17 to pass the Water Quality Act.

The House votes 401 to 20 to authorize a bill that projects spending up to \$91.6 billion for highway and mass transit projects over the next 5 years.

Jan. 22—In a 133-116 vote, Representative Les Aspin (D., Wisc.) retains his post as House Armed Services Committee chairman.

Jan. 27—In voice votes, the Senate and House approve legislation to end the 10-day strike by Long Island Rail Road workers and impose a 60-day cooling-off period.

Jan. 28—President Reagan signs the legislation.

Jan. 29—The Senate votes 87 to 7 to block pay increases proposed by President Reagan for high-level government officials, judges and members of Congress and scheduled to take effect February 3; to block the pay increases, the House must also vote to block the raises although it has not scheduled a vote before the deadline.

Jan. 30—President Reagan vetoes the \$20-billion Water Quality Act; it is expected that Congress will override his veto.

Military

Jan. 22—Speaking in California, Defense Secretary Caspar Weinberger calls for the early development and deployment of the Strategic Defense Initiative (SDI), saying, "We must seize this opportunity" in order to stay ahead of the Soviet Union.

Political Scandal

(See also *Iran; Israel*)

Jan. 5—The Senate Intelligence Committee votes 7 to 6 not to make public its 150-page report on the Iran arms deal.

Jan. 6—According to a Senate report, the State Department cannot account for \$10 million allegedly furnished by Brunei's Sultan and earmarked as humanitarian aid for the Nicaraguan contras.

The White House asserts that Senate Intelligence Committee information shows that Lieutenant Colonel Oliver North, formerly on the staff of the National Security Council, falsified information on the Iran arms deal to suggest that President Reagan was informed of the matter at an earlier date than he has admitted and to show that the President authorized the transaction.

The Senate votes 88 to 4 to create a special panel to investigate the Iran arms deal.

Jan. 8—The special House committee investigating the Iran arms deal selects Washington, D.C., lawyer John Nields Jr. as chief counsel.

Jan. 9—The White House releases documents indicating that on January 17, 1986, President Reagan signed an authorization for the shipment of arms to Iran and ordered the CIA not to inform Congress.

Committee sources report that according to the unreleased Senate Intelligence Committee report, Oliver North supervised the shipping of arms to the contras through Portugal.

Jan. 10—Retired CIA official George Cave says that national security adviser Robert McFarlane and his aides did take a Bible and a key-shaped cake to Iran when they met with Iranian government officials in Teheran.

Jan. 11—NBC news reports that in 1986, President Reagan asked Saudi Arabia to contribute some \$31 million in aid to the Nicaraguan contras; NBC credits the story to a Senate Intelligence Committee report.

Jan. 12—Ambassador to Israel Thomas Pickering orally conveys U.S. assurances to Israeli Prime Minister Yitzhak Shamir that disclosure of the Israeli involvement in the Iran arms deal is not meant as a criticism of Israel's actions.

Jan. 13—It is reported that Israeli Foreign Minister Shimon Peres warned the U.S. in 1986 that its chance of success in the Iranian arms and hostage negotiations was, at best, 25 percent.

Jan. 16—McFarlane admits that for its initiation of arms shipments to Iran, the U.S. relied on Israeli intelligence that came from an Iranian arms dealer who had been judged unreliable by the CIA.

Jan. 18—The Senate Intelligence Committee announces that the report on its hearings on the Iranian arms deal is not being made public at this time although there have been numerous leaks about its findings.

Jan. 19—Administration officials report that there is evidence that American flight crews involved in shipping arms to the contras smuggled drugs into the U.S.; in at least one instance, it is alleged that Drug Enforcement Administration agents were advised that the smugglers had White House protection for the operation.

Jan. 20—Former contra official Edgar Chamorro alleges that CIA officer Duane Charridge, in charge of CIA collaboration with the Nicaraguan rebels (contras), assisted Oliver North to establish methods to supply the contras with arms in May, 1984, even while Congress was moving to prohibit U.S. military assistance to the contras.

Jan. 21—In a closed hearing of the House Foreign Affairs Committee, Secretary Shultz is reported to have told the committee that secret talks with Iran via a secret channel continued into December, 1986, and that he was infuriated by the Iranian demands.

Jan. 22—Administration sources report that since 1984, Oliver North had conferred on a regular basis with Attorney General Edwin Meese 3d about providing aid to the con-

tras and about North's efforts to free the hostages held in Lebanon.

The Senate committee investigating the Iran arms deal names New York lawyer Arthur Liman as its chief counsel.

Jan. 25—Meese acknowledges that he probably talked with North about 12 times, but says he "doesn't recall any conversation" about aid to the contras.

Jan. 26—President Reagan meets with his special 3-man panel investigating the role of the National Security Council in the Iran arms deal; the White House reports that the President answered all questions in the 75-minute session.

Jan. 27—Testifying before the Senate Foreign Relations Committee, Secretary Shultz pledges that there will be "no more transfers of U.S.-origin military equipment to Iran, either directly or through any third party."

Jan. 29—The Senate Intelligence Committee makes public its 65-page report on the Iran arms deal and the diversion of funds to the contras in Nicaragua; the report reaches no conclusions but summarizes the chronology of the affair and its participants as far as they are known, and suggests that the National Security Council recommended the deal as a means of building a "constructive relationship with moderate elements in Iran."

Jan. 30—Former national security adviser Robert McFarlane says that had he known that the CIA judged the Iranian middleman in the Iran arms deal, Manucher Ghorbanifar, to be very unreliable, he would not have involved the U.S. in the trading of arms for hostages. He also says that he informed CIA director Casey about the operation from its inception.

White House officials admit that the arms deal "could be interpreted as a trade of arms for hostages," although denying again that this was President Reagan's intention.

Supreme Court

Jan. 13—In a 7-2 ruling, the Supreme Court overturns New York State's minimum liquor-pricing regulations, declaring that the regulations violate the provisions of the Sherman Antitrust Act.

The Court rules 6 to 3 to uphold a California court ruling that requires employers to grant up to 4 months of pregnancy leave to women employees and then to return their jobs to them.

Jan. 21—The Court rules 8 to 0 that states are not required to pay unemployment benefits to women who are refused their former employment after a pregnancy or childbirth absence, saying that under 1976 federal law the states "are not compelled to afford preferential treatment" to these women.

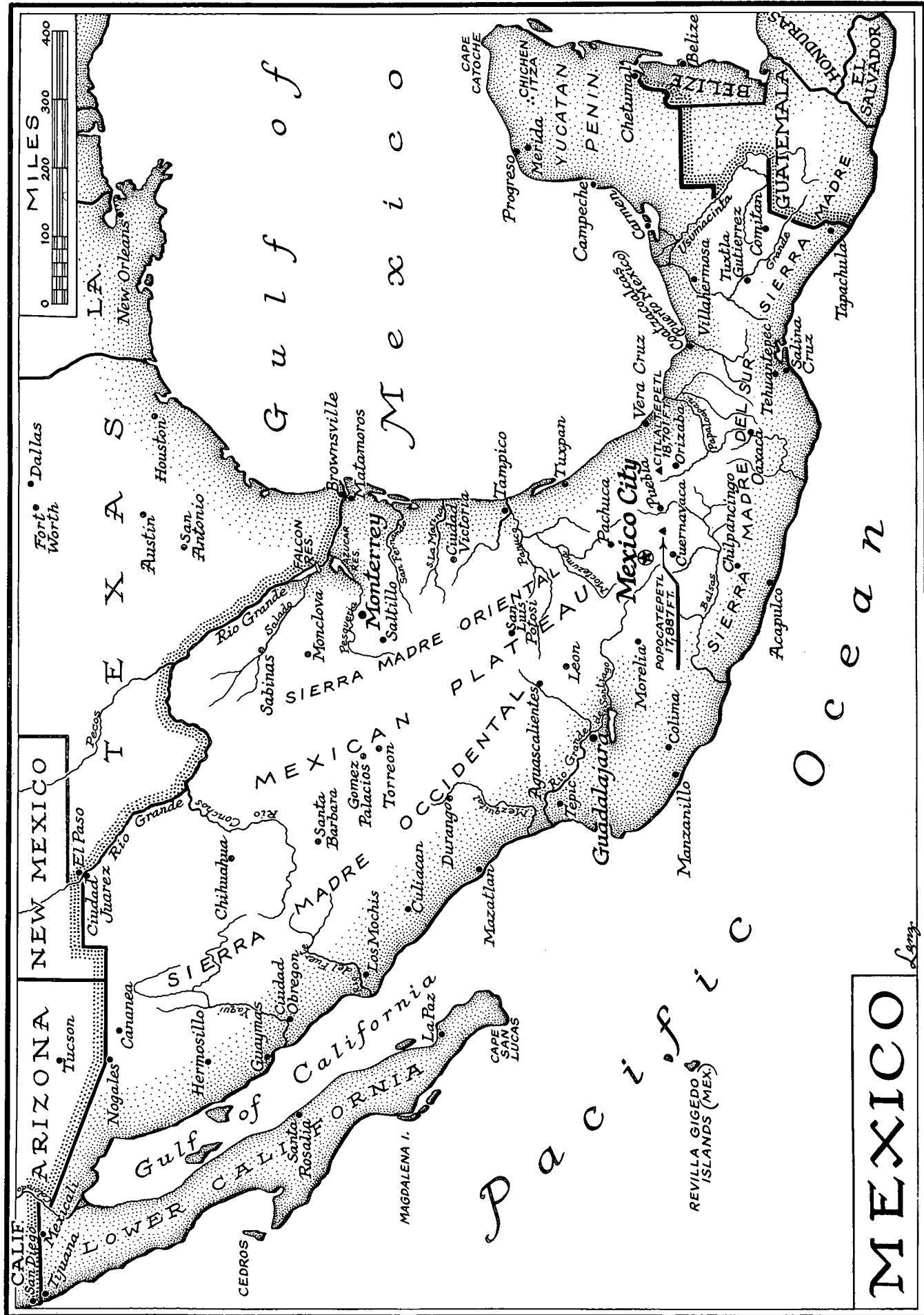
Jan. 27—In each of 3 cases, the Supreme Court rules 7 to 2 to overrule state courts that, it rules, have given unduly broad interpretations to the Supreme Court decision *Miranda v. Arizona*, 1966. According to the Court, police are not obliged to inform a suspect in advance about all the crimes for which he may be questioned; they can continue to question the suspect after he asks for a lawyer and before he signs a written statement.

VIETNAM

Jan. 5—In a report monitored by the BBC, the government says its troops killed approximately 500 Chinese soldiers in fighting today; the Chinese say that their troops did not invade Vietnam but were countering a Vietnamese border offensive.

ZIMBABWE

Jan. 20—Prime Minister Robert Mugabe meets in Beijing with Chinese leader Deng Xiaoping. ■



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